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27 FEBRUARY 1987

# China Report

ECONOMIC AFFAIRS

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27 FEBRUARY 1987

## CHINA REPORT

### ECONOMIC AFFAIRS

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NATIONAL AFFAIRS, POLICY

NATION MAPS OUT NATIONAL INVESTMENT PRIORITIES

HK130313 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) in English  
13 Jan 87 pp 1, 12

[Article by Oliva Sin]

[Text] Chinese officials are mapping out national investment priorities in an effort to direct foreign funds into the most urgent areas.

Beijing sources said a list would be drawn up of the number and kinds of projects needed in particular provinces, and would also include those projects which have reached a saturation point and will not be needed in the next few years.

Various provinces such as Guangdong have in the past published lists of encouraged and discouraged projects, but this is the first such move on a national level.

"It is easy to say which projects are encouraged and which are not. But it is difficult to quantify them," according to the sources.

"Besides, there is a worry that all investors rush to the most welcome sector and saturation results in a short time."

It is believed Beijing no longer favours household appliance assembly, taxi fleet operations, restaurants and property developments in major cities.

Most welcome are export-oriented and high-technology projects which will boost the country's earnings and technical standards.

It is believed the investment list is being drafted mainly by the Ministry of Foreign Economic Relations and Trade [MOFERT] and will be passed to a high-level foreign investment steering group headed by State Councillor Gu Mu for approval.

The group consists of senior officials from 11 key departments including MOFERT, the State Planning and Economic Commissions, the People's Bank of China, and the Ministry of Labour.



Sources said the investment policy would be one of the 12 to 14 detailed regulations issued by the steering group to supplement the 22-article Provision for the Encouragement of Foreign Investment.

The sources added that the regulations should be completed before March so that the 22 articles could be put into effect this year.

The 22 articles announced in October provide investors with tax incentives, management autonomy, low land and labour charges, streamlining of government procedures and relaxation in foreign exchange trading. But the articles are vague and need further clarification through the supplementary regulations, which include:

--Regulations on the trading of foreign exchange among foreign enterprises.

The guidelines will identify the supervising authorities of the foreign exchange trading (adjustment) centres where enterprises can swap their currencies.

However, it is believed the regulation will not specify the exchange rate which will be adopted in the centres.

The Shenzhen special economic zone, where liberal policies are "tested", recently said it would not set a ceiling on the exchange rate used in the trading centres, which means buyers and sellers can trade at any rate they like.

In general, the U.S. dollar is traded at 4.7 yuan at other centres, or one yuan above the official rate of U.S.\$1 to 3.7 yuan.

--Regulations on the provision of raw materials and infrastructural facilities to foreign enterprises.

The 22 articles said high-technology and exporting enterprises would have priority in the use of water, electricity, transportation services and communication services.

The law will permit the establishment of supply companies in various provinces to assist the foreign enterprises. The rights and duties of the supply companies will be specified.

--Regulations on foreign enterprises allowed to sell in domestic markets if their products are classified as import substitutes.

A regulation recently issued by Guangdong Province on the same topic may shed some light on the future national guideline.

The Guangdong regulation defined import substitutes as products which are made by foreign enterprises and can match the standard, pricing and delivery schedule of those available in international markets.

It said Chinese enterprises in the province should give priority to using these substitute products rather than importing similar items.

The foreign enterprises are allowed to charge both renminbi and foreign currencies for the products they sell in domestic markets.

--Regulations on the approval procedures of feasibility studies.

According to the sources, many feasibility studies are unprofessional and one-sided in their conclusions. The State Council said the criteria for approving feasibility studies for investment projects needed tightening up.

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CSO: 4020/100

NATIONAL AFFAIRS, POLICY

STATE MANAGEMENT, CONTROL OF ENTERPRISES

HK290232 Beijing QUNYAN in Chinese No 12, 7 Dec 86 pp 26-28

[Article by Guan Mengjue (7070 1125 6030): "Concerning the Question of State Management and Control of Enterprises"--capitalized passages printed in boldface]

[Text] Lenin said: "Our strength lies in speaking the truth!" ("Complete Works of Lenin," Vol 9, People's Publishing House, 1959 Edition, p 279) "Speaking the truth" is a necessary quality of theoretical and all other workers and is a manifestation of one's loyalty to the party's leadership and socialist cause and of the scientific spirit of seeking truth from facts. In this article I shall strive to meet the requirements of "speaking the truth" with a just approach.

It is stated in the report on the Seventh 5-Year Plan: "Gradually change from mainly direct to mainly indirect control in the state management of enterprises and institute a new, socialist macroeconomic management system." How should we understand the sentence above? Does changing from mainly direct to mainly indirect control refer specially to microeconomic control, namely, state control of enterprises, or to both microeconomic and macroeconomic control, namely, state control of the national economy as a whole? What is the extent covered by the shift from mainly direct to mainly indirect control? There are two different interpretations on these questions:

/STATE CONTROL OF ENTERPRISES INCLUDES BOTH MICROECONOMIC AND MACROECONOMIC CONTROL/

Some comrades hold that state control of enterprises and the national economy as a whole should be shifted from mainly direct to indirect means. Needless to say, the state should exercise mainly indirect control over enterprises. Its control over the national economy as a whole should also be shifted in this direction. "Instituting a new, socialist macroeconomic management system" precisely refers to a macroeconomic management system with indirect control as the principal aspect. They maintain that, in exercising microeconomic and macroeconomic control, the ways and means adopted, as well as the intensity of control, must be unified and consistent and that microeconomic and macroeconomic controls should be monistic rather than dualistic. Exercising mainly

indirect control means relaxing controls, reducing administrative interference and mandatory planning, relying mainly on economic means, and chiefly applying economic policies and levers in guiding and regulating economic operations so as to attain the desired objective. Economic policies and economic levers are closely related. Economic policies serve as a guide and a basis for the application of economic levers, while the latter serve as a means for implementing the former. Economic levers include prices, taxation, credits, interest rates, exchange rates, wages, and so on. Of these, prices react most sensitively and exercise the most widespread influence. In the economic lever system, the monetary and financial means play a leading role. They also affect prices. Credits, interest rates, exchange rates, and the amount of issued currency come under the monetary category while taxation and government expenditure come under the financial category. With these two means the state can carry out a retrenchment or inflationary policy to stifle or stimulate economic development. For example, raising interest rates, cutting down credits, reducing the issue of currency, increasing taxes, and so on, belong to the former, namely, tightening the money market; reducing interest rates, increasing the currency in circulation, reducing taxes, and so on belong to the latter, namely, relaxing the money market. A retrenchment policy can lead to a drop in commodity prices or check the range of price hikes; an inflationary policy, however, can stimulate price hikes. Price fluctuations can also exercise a direct influence on changes in supply and demand and on profits, thus playing a regulatory role in production. When using economic means to exercise indirect control on enterprises and the national economy as a whole, the state takes the market as an intermediary. The status of the market is extremely important and, therefore, it is necessary to establish a complete market system. However, being a roundabout and fairly slow process, regulating through market mechanisms cannot yield instant results. In addition to the economic means, we also rely on legal means to exercise indirect control. However, this only serves as a legal guarantee for economic relations. Needless to say, in exercising mainly indirect control, a socialist country should expand the scope of guidance planning, especially the scope of regulation by market mechanisms. In a sense, the predominance of indirect control means expanding regulation by market mechanisms. It is not without some reason that Czechoslovak Economist (Otta Sisk) [ao ta xi ke 1159 1044 6932 0344] called this a "planned market economy."

In the capitalist world, a typical example of indirect control is the control of the national economy by contemporary state monopoly capitalism. In the early stage of capitalism, as well as in the entire stage of free capitalist competition, bourgeois governments adopted a laissez-faire policy toward both enterprises and the national economy as a whole. At that time, infatuated by the so-called "automatic adjustment," bourgeois economists held that an "invisible hand," that is, the law of value and the motive to seek profits, will automatically adjust economic operations through changes in market supply and demand and fluctuations in prices and profits, and thus establish a harmonious economic order. They maintained that every capitalist would automatically pursue his best interests which, if joined together, would represent the best interests of the society and that the interests of the

individual and the society completely coincide. For this reason, they categorically asserted that "a government making the least interference is the best government." This is precisely the theoretical basis of the laissez-faire policy. Imbued with an antifeudal nature, this policy is suited to the needs of capitalist development in its early period and the interests of the bourgeoisie. However, with the development of the basic capitalist contradictions, that is, with the intensification of the contradiction between socialized production and capitalist private ownership, the laissez-faire policy and the "theory of automatic adjustment" no longer worked in the stage of monopoly capitalism. The 1929-1933 major crisis, in particular, shook the whole capitalist world and opened the eyes of the monopoly bourgeoisie. They held that only when the state interfered in and adjusted the economy was it possible to avoid a disaster. Consequently, Keynesism emerged at that historic moment. To put it bluntly, Keynesism is a theory or policy which makes it necessary for the state to use financial and monetary means to interfere in and adjust the economy and which is aimed at solving the problem of insufficient effective demand and of overproduction. This theory or policy was first put into practice by the U.S. Roosevelt administration in the form of the "New Deal." After Keynes, and particularly after World War II, various schools of state monopoly capitalist economics emerged. They include the current supply-side economics and monetarism, as well as the so-called "Reaganomics." In essence, all these are nothing but theories or policies on state intervention in, and adjustment of, the economy. Nevertheless, capitalism is an economy of the private ownership. It can only exercise indirect control on the micro and macro level. The state cannot assign mandatory planning to enterprises; the so-called state "plan" only serves as an inducement to market economy for it does not have any binding force. This is determined by the nature of the ownership and the whole economic system. For this reason, tracing to the source, indirect control was first put forward and exercised by modern capitalism.

In socialist states, Yugoslavia was the first to exercise indirect control, developing from an "enterprise autonomy" to a "social autonomy." It exercises indirect control at both the micro and macro levels and sometimes the control is even nonexistent. The basis of the "enterprise autonomy" is the "system of ownership by the society," which emerges as an antithesis of state ownership and of state intervention in the economy. The "social autonomy," however, abolishes the right of the state to decide expanded reproduction and brings into fuller play the regulatory role of the market. Toward the late 1960's Yugoslavia simply negated planned guidance by carrying out the so-called "market socialism." The Hungarian pattern, however, integrates central guidance planning with the market, abolishes mandatory planning, and promotes the social interest by the method of indirect control. Since both Yugoslavia and Hungary have their own national conditions, we are not going to comment on the merits and demerits of their patterns.

The mainly indirect control that our country wants to exercise is different from the patterns of either the Western states or of Yugoslavia and Hungary.

- 1) The predominance of indirect control does not necessarily mean that we can dispense with direct control;
- 2) the predominance of economic means does not

necessarily mean that we can dispense with administrative means; 3) the predominance of guidance planning does not necessarily mean the abolition of mandatory planning; and 4) taken as whole, we are practicing a planned economy, that is, a planned commodity economy rather than a market one.

In spite of this, some people still adopt a sceptical attitude toward exercising mainly indirect control on macroeconomy. They are doubtful whether, in such a big country as ours, with very complicated conditions and a large population, it is possible to rely exclusively on economic policies and levers to achieve guidance planning and to regulate the market, which is subject to the law of value. The Western economy is a market economy based on private ownership. Its economic levers are characterized by quick response. Even so, it meets with obstruction and friction and needs a long time to bring into play the role of economic levers. Our economic levers are relatively poor in making responses. For example, our prices cannot be different from morning till night and our interest rates and taxation can neither be changed at any time. Fundamentally speaking, this is because they are conditioned by the socialist system and cannot be entirely regulated by market mechanisms as they are in the west.

There is still another issue: Taken as a whole, our Seventh 5-Year Plan, as well as our annual plan, is a mandatory plan or is characterized by mandatory planning. Can we guarantee the fulfillment of the mandatory plan by relying mainly on indirect control?

## /2. THE PREDOMINANCE OF INDIRECT CONTROL ON THE MICRO LEVEL AND THE PREDOMINANCE OF DIRECT CONTROL ON THE MACRO LEVEL/

Some other comrades hold that there can, and should, be differences in the methods of macroeconomic and microeconomic control because their requirements are different:

The former is aimed at exercising effective control while the latter at invigorating the economy. Precisely because the two methods of control are different, they can play the role of opposing each other and yet complementing each other. If there is no difference between microeconomic and macroeconomic control, for example, if both stress the predominance of direct control, the enterprises will be rigidly controlled, as has been proved by our previous historical experience and, if both stress the predominance of indirect control, it will likely lead to the national economy as a whole going out of control and being thrown into a chaos.

The comrades holding this view approve of stressing indirect control in the state management of enterprises to achieve the objective of micro-flexibility. In an effort to extend the enterprise decision-making power and invigorate the enterprises, they agree to reduce production under mandatory plans and administrative interference, to bring into fuller play the role of guidance planning and regulation by market mechanisms, and to stress the application of economic policies and levers in guiding the planned activities of enterprises.

Moreover, it is necessary to strengthen the lateral economic link and association among enterprises and to resolutely remove the barriers between different regions or departments in order to achieve the "integrity" of the socialist economy.

On the other hand, however, these comrades advocate the predominance of direct control on the macroeconomy. Naturally, indirect control is also indispensable in this respect. The state should apply, as far as possible, economic policies and levers in exercising indirect control over the national economy as a whole. If, however, the indirect control is ineffective or fails to yield immediate results, it is necessary to "show our teeth," that is, to rely mainly on direct control and to exercise control by applying administrative means and mandatory measures more vigorously. State investment, mandatory planning, appointments and removals, and so on, constitute an important condition for achieving direct control. State planning serves as a major basis for macroeconomic control. Here, the administrative means refer to the application of administrative orders by the state, including various directives, such as decisions, resolutions, circulars, regulations, and constitutions, as well as mandatory planning, to control economic activities. They give scope to their role by dint of the state authorities. In exercising direct control by administrative means, the state should also act according to the objective laws and shun subjective idealism. We should not hold that, in exercising direct control, we can act in violation of the objective laws, including economic laws. We have suffered a lot in the past as a result of this. For this reason, we should never follow the same old disastrous road. Some people detest direct control and look down upon administrative management. They never realize that it is precisely a manifestation of the superiority of the socialist system. Can capitalist countries do this?

In short, to achieve micro-flexibility, we should stress the predominance of indirect control: to exercise macroeconomic control, we should stress the predominance of direct control. It is necessary to coordinate indirect with direct controls and flexibility with control in order to develop a set of control systems under which there are controls but not rigidity, flexibility but not chaos.

In fact, direct and indirect controls permeate each other. There is direct control where direct control is predominant: there is also direct control where indirect control is predominant. No hard and fast line can be drawn between the two as is the case between macroeconomy and microeconomy. However, with regard to macroeconomy and microeconomy, that is a question of which kind of control should be predominant.

Macroeconomic control and micro-flexibility represent a unity of opposites. Which of them is the principal aspect of the contradiction? By macroeconomic control we mean persisting in the planned and proportionate development of social productive forces, in socialist orientation, and in appropriately high growth rate. This is a fundamental prerequisite in invigorating

enterprises. The "flexibility" we need is socialist rather than capitalist. For this reason, macroeconomic control is the principal aspect of the contradiction. The "bird" of micro-flexibility should fly in the "cage" of macroeconomic control.

I am not sure whether the above-mentioned views conform to the guidelines of the report on the Seventh 5-Year Plan but they can serve as exploratory views for the reference of the readers.

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CS0: 4006/314



## NATIONAL AFFAIRS, POLICY

### PROBLEMS, CONTRIBUTIONS OF PRIVATE BUSINESSES

HK290406 Beijing CHINA DAILY in English 29 Dec 86 p 4

["Opinion" column: "Private Businesses Need Special Rules"]

[Text] One of the most amazing aspects of Chinese economic life over the past seven years is the rapid growth of privately owned businesses. The more than 20 million self-employed are now engaged in virtually every trade.

Once denounced as a "capitalist tail" that was almost cut off completely, private businesses are now recognized as a necessary component of the socialist economy. That recognition has been reaffirmed by the First National Meeting of Self-Employed Workers recently held in Beijing.

"Please remember," Bo Yibo, vice-chairman of the Chinese Communist Party Central Advisory Committee, assured the 550 delegates to the meeting, "the party's policy of encouraging the development of privately owned businesses will not change."

But a good policy alone is not enough. The delegates suggested that China's General Rules and Regulations for Civil Law should be revised to include articles about private enterprises.

Legal protection is important for a healthy development of private businesses. The Soviet Union was a step later than China in allowing individuals to run their own businesses, but it seemed to have proceeded in a more orderly way by first promulgating laws concerning privately owned business operations.

The forming of the China Association of the Self-Employed, the major purpose of the national meeting, will start a new period in the development of private businesses in the country, the ECONOMIC DAILY said.

According to the paper, the output value of private businesses neared 10 billion yuan in 1986, and 3.84 million city people and 13 million surplus laborers in the rural areas are now self-employed or work in privately owned businesses. In the last five years, private businesses have paid 7.8 billion yuan in taxes to the state, making themselves an indispensable production force.

## Problems

But it should also be noted that the self-employed are also facing many problems as their existence is still a new phenomenon in a socialist country like China.

Some local leaders make their own rules which are unfavourable to private businesses, and some people are so envious of the prosperous self-employed that they create all sorts of trouble for them. Cases of robbing private business people have even occurred occasionally.

At present, the size of private businesses is limited. Some people who have made great successes in their businesses wish to expand production to become big enterprises. But there is not yet any change in the state's policy that would allow them to do so.

Yang Fulai started his business three years ago as a tailor with a little stand on the street. As time passed, he became the owner of a garment factory producing 15,000 Western-style suits per month. The local government adopted a special policy toward him on a trial basis: the capital of the factory and its profits belong to Yang himself, but the factory is considered a cooperative in nature, uses an accounting system and pays taxes as a collective enterprise.

"I don't know what a real capitalist is like," Yang told ECONOMIC DAILY. "I only wish that suits designed by me could one day compete on the international market. I'm willing to sign a 30-year contract with the country."

How should the state treat private enterprises? Should it set limits on their growth or not? These are important questions pressing for answers.

Although some private business owners have become known for their wealth, their social status generally remains low and they are often among the last to get raw material supplies.

In answer to the question "Why do you think private businesses should be promoted" in a recent survey, many people said "because they provide jobs."

Private businesses have done more than just that, said an ECONOMIC DAILY editorial titled "A Respectable Trade."

China is still an economically backward country, it said. Private business operations can help solve some problems such as short supply of materials, low quality of consumer goods and inadequate services. Compared with state or collective enterprises, private businesses have more flexibility in shifting to the needs of the market and gear up to the changes in consuming patterns.

"The self-employed should realize their contributions to the society and get rid of any feelings of being inferior," the editorial said. "They should work hard to improve their services, abide by the law and establish and preserve good credit."

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CSO: 4020/100

## PROVINCIAL AFFAIRS

### CHONG QING TRIES MANAGEMENT RESPONSIBILITY SYSTEM

OW260238 Beijing XINHUA in English 0153 GMT 26 Jan 87

[Text] Chongqing, 26 Jan (XINHUA)--If you think you are able to be a factory director, come to Chongqing, declared an advertisement from a Chongqing factory.

Xu Jingcheng went and took the post of director of the Chongqing Hongyang machinery plant with nearly 3,000 workers after winning a public contest which was attended by more than 120 people from more than 20 provinces and municipalities throughout the country.

The plant publicly advertised for a director from the public in September last year with approval by the Chongqing City Government, according to a local official.

This is part of an experiment in responsibility management conducted in this hilly city of southwest China's Sichuan Province, which is a pioneer in the country's present economic reform.

Now, the system has been tried out in 19 state-owned factories including the Zhongnan rubber plant, Chongqing instruments and meters factory and Chongqing woolen textile mill.

In China's existing economic management system, the assets of government-owned enterprises belong to the state, and their directors are appointed by government institutions concerned. They are responsible merely for fulfilling the plans drawn up by the state.

Xu Jingcheng, new director of the Hongyan machinery plant, said, "In the past, I was appointed as a factory director and I was responsible for the leading department that appointed me. Now, I have become the Hongyan plant director in a new way and I am responsible for the plant's assets."

The assets management responsibility system gives factory directors both more decision-making power and responsibilities.

Xu Jingcheng, 47, and a graduate from the Beijing Iron and Steel Engineering Institute, now has decision-making power in ten aspects including appointing his executives, directing production, setting prices and distributing bonuses.

Directors of other enterprises that have not so far experimented with the asset management responsibility system don't have all such power.

The experiment is aimed at making production units more effective, the local official said.

Zheng Si'an, an engineer at the Chang'an machinery plant, beat five other competitors and became director of the Chongqing instruments and meters factory.

He said, "The present reform has provided us with a stage to demonstrate our talents. Why don't I have a try?"

Zheng Chenggong, former director of the Chongqing instruments and meters factory, told XINHUA after giving up his post, "To manage a business well needs talent. I don't think I have the proper ability to do it. So, I'd better do technical work."

According to an economic official, Chongqing will put more effort this year into perimenting with the assets management responsibility system in its restructuring of the urban economic system.

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CSO: 4020/95

## PROVINCIAL AFFAIRS

### ANHUI EXPERIMENTS WITH COMMERCIAL HOMEBUILDING

OW251322 Beijing XINHUA in English 0845 GMT 25 Jan 87

[Text] Beijing, 25 Jan (XINHUA)--East China's Anhui Province has pioneered what is deemed as the best way for solving the problem of rural housing, today's PEOPLE'S DAILY reported.

Instead of building houses by individual efforts, the province has set up rural housing development companies to undertake homebuilding for rural peasants and sell them at a low profit.

The method has proved to be both cost-efficient and economical for peasants wanting houses, the paper quoted a local official as saying.

It is Chinese peasants' tradition to build houses by themselves and this traditional method resulted in widely scattered villages and great waste of land. When undertaken by housing development companies, not only one-quarter of the land may be saved but also the equal amount of expenses on the part of peasant buyers.

Over the past few years, Anhui Province has set up rural housing development companies in six prefectures, seven cities and 62 counties, which have built 1.5 million square meters of rural housing without asking the state for money.

Though this accounted for only a tiny part of rural housing completed, it may well play a demonstrative role. Now more and more peasants have applied for buying the houses built by the companies, the paper said.

The paper quoted the local official as saying that the commercialization of rural housing can help speed the construction of small towns and bigger villages. At present, according to the official, the province has completed the planning of more than 3,000 small towns and 20,000 central villages.

China has set the goal of building 12.3 billion square meters of housing for rural dwellers and 2.5 billion for urban residents during the next few years in order to guarantee an apartment for every urban household with eight square meters of living space per member and 100 square meters for each rural household by the end of this century. To attain the goal, the official said, the optimum plan is to commercialize house construction.

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CSO: 4020/95

## PROVINCIAL AFFAIRS

### LIAONING TO PROMOTE URBAN ECONOMIC REFORM

OW270832 Beijing XINHUA in English 0722 GMT 27 Jan 87

[Text] Shenyang, 27 Jan (XINHUA)--Management contracts and lease and share systems in enterprises are among the measures to be adopted this year by northeast China's Liaoning Province, a leading industrial base in China.

According to acting governor of the province, Li Changchun, and Deputy Governor Zhu Jiazhen, "In 1987 Liaoning will promote economic reform in urban areas by invigorating larger enterprises."

Reviewing the province's achievements in urban economic reform in 1986, Li said at a meeting of government officials earlier this month, "Liaoning has carried out reform of some enterprises on a trial basis and has begun introducing new types of management and ownership."

The factory director responsibility system has been introduced in 1,400 enterprises and the number of economic associated entities has grown to 1,600, he said.

"Reform has helped the province increase economic efficiency," Li said, adding in 1986, Liaoning's industrial output value reached 78.3 billion yuan (21.2 billion U.S. dollars), up 8.6 percent over 1985.

He said, "To invigorate the economy it is necessary to promote larger enterprises because the province boasts a large number of them."

The acting governor said, "The key to stimulating enterprises lies in separating the power of operation from ownership." He described contract and lease as good forms of this type of separation.

He said, "In 1987, contracts for management and the leasing system will be practiced in designated pilot projects." "The share system will be introduced in newly-established enterprises," he added.

Deputy Governor Zhu listed some specific measures to stimulate enterprises;

--the share and lease systems, management contracts and foreclosure in bankruptcy cases will be practiced in collectively-owned enterprises and small state-owned enterprises;

--the factory director responsibility system will be introduced in all state-owned enterprises;

--an economic responsibility and wage system will be further improved and reformed, and workers' wages will consist of two parts: a basic wage, and bonuses, which will be decided individually by the enterprises;

--more decision-making power to enterprises and reducing mandatory quotas; and

--opening a monetary market, issuing bonds and share certificates and establishing data and labor markets.

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## PROVINCIAL AFFAIRS

### SHANDONG TO HOST INTERNATIONAL ECONOMIC MEETING

OW270826 Beijing XINHUA in English 0734 GMT 27 Jan 87

[Text] Jinan, 27 Jan (XINHUA)--East China's coastal Shandong Province will host an international conference in Qingdao to promote its economic cooperation and trade with foreign countries from 23 February to 4 March.

This will be the third meeting of its kind in the province since 1978, and invitations have been sent to firms and companies in over 100 countries and regions as well as domestic ones.

At the meeting, the province will list some 400 projects in more than a dozen fields available to foreign business people for cooperation. An exhibition of 1,000 new and domestic products available for export will also be opened during the meeting.

Shandong, which boasts five ports as well as its own ocean-going fleet, is an important base for China's exports. The province is famous for many local products and light industrial goods such as peanuts, prawns, textiles and Qingdao beer.

According to the Shandong Provincial Committee of Foreign Economic Cooperation and Trade, the province earned a total of over ten billion U.S. dollars in exports from 1981 to 1985, and the province's export volume last year increased 22 percent over the 1985 figure.

Besides 1.78 billion U.S. dollars invested by foreign firms in 11 key projects included in the state plan, the province drew 406 million U.S. dollars in foreign investment through 521 contracts and agreements with foreign business people during the past seven years. There are now 78 approved foreign-investment enterprises involving a total foreign capital of 262 million U.S. dollars.

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PROVINCIAL AFFAIRS

SHANGHAI SETS UP ECONOMIC INFORMATION CENTER

OW271738 Beijing XINHUA in English 1509 GMT 27 Jan 87

[Text] Shanghai, 27 Jan (XINHUA)--The Shanghai Municipal Economic Information Center was set up today,

Shanghai, China's leading economic center, has economic ties with 28 provinces, municipalities and autonomous regions and 160 countries and regions.

The center will coordinate Shanghai's present 30 computerized social information systems and promote the use of modern information technology and management, local officials said.

It will study the city's economic situation to provide information to the local government and economic departments, issue guidelines and offer consultation services to enterprises and governmental organizations.

The setting up of the center is part of the effort to turn Shanghai into the national economic information center, the officials added.

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CSO: 4020/95

## PROVINCIAL AFFAIRS

### XINHUA REPORTS ON TIANJIN ACHIEVEMENTS IN 1986

OW262101 Beijing XINHUA in English 1453 GMT 26 Jan 87

[Text] Tianjin, 26 Jan (XINHUA)--Tianjin, one of China's 14 open coastal cities and a major port, achieved all-round economic progress in 1986, said an official of the municipal statistical bureau today.

The city's 1986 industrial output value of 33.37 billion yuan, grain output of 1.5 million tons and revenue of 5.19 billion yuan were all time high, Cao Zengqi announced at a press conference.

The city's oil output exceeded 28 million bbls, up from 21 million bbls in 1985, he said, adding that the output of steel, rolled steel, bicycles, woollen goods, refrigerators, leather shoes, knitting wool and aluminium products also registered big increases.

The city's agricultural output value was 1.57 billion yuan, up 11.8 percent.

Last year saw Tianjin port export 1.257 billion U.S. dollars worth of goods, up 8.7 percent over 1985. The city concluded contracts on setting up 49 sino-foreign joint venture companies involving 180 million U.S. dollars in investment, up 23.4 percent.

By the end of last year, 84 enterprises involving use of foreign capital had gone into operation, with foreign exchange income and expenditures balanced.

The annual average workers' wages last year increased by 215 yuan or 18.4 percent over 1985.

The annual income of the rural population in Tianjin averaged 635 yuan per capita, an increase of 12.6 percent.

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PROVINCIAL AFFAIRS

SPRING FESTIVAL'S APPROACH LIVENS TIANJIN MARKET

OW232321 Beijing XINHUA in English 1434 GMT 23 Jan 87

[Text] Tianjin, 23 Jan (XINHUA)--Fish, fruit, meat, garments and household electrical appliances have appeared in abundance on state, collective and free markets in Tianjin with the approach of the lunar new year holiday season.

According to an official of the city's commercial bureau, local commercial departments have provided markets with various types of goods worth more than 770 million yuan specially for the festival, an increase of 12.8 percent over the same period of last year.

Of these goods, industrial ones cover 43 varieties, totalling 350 million yuan, 8.37 percent higher than in 1986. Compared with last year, beef has increased by 19 percent, and pork, by 13 percent.

The official also said that 70 percent of the goods available in the city are normally bought by local purchasing agents from throughout the country. For the convenience of Tianjin's residents, commercial departments have opened special markets and are holding exhibitions to sell goods for the spring festival.

A retired woman in a market told XINHUA her family of six would spend 200 yuan as festival expenses--the equivalent of half of her family's total monthly income.

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## PROVINCIAL AFFAIRS

### ZHEJIANG PRIVATE BUSINESS PEOPLE POOL RESOURCES

OW261404 Beijing XINHUA in English 1313 GMT 26 Jan 87

[News feature: "Private Business People in Wenzhou Join Hands"--XINHUA headline]

[Text] Hangzhou, 26 Jan (XINHUA)--China's policy of allowing individual economy to grow while envisaging eventual cooperation among individual businesses has worked in Wenzhou, a coastal city in southern Zhejiang Province.

One-third of such businesses there have merged into bigger factories "entirely of their own accord," local officials said, adding that such a combination is different from the practice in the 50's when the government followed a policy of redemption and merged private enterprises with state-owned ones.

In Wenzhou, farmland averages one hectare to about 30 people, forcing many peasants to make a living by starting family workshops producing buttons, clothing, simple electrical apparatus and other small products.

Of the 2.1 million farm laborers, 1.4 million are working in household industries and sideline production.

However, family workshops, mostly using simple tools, have found it increasingly difficult to survive market competition and cover all the production and marketing processes with just a few workers, who are mainly the family members.

This has motivated many family workshops to put together their funds and employees to renew equipment and technology, the officials said.

The city government plans to help develop 2,000 enterprises with private shares or sole private investment in the next five years. It hopes this could [as received] increase the local revenue by 100 million yuan in tax and provide an additional 100,000 jobs.

If all goes well, the city can achieve a new economic capacity in the next five years equivalent to that developed in the past 30 years, the officials added.

Some state-owned businesses have bought stocks in privately owned factories in forms of funds, techniques and equipment. The ownership of the factories is still in the hands of the self-employers, who enjoy full decision-making power in production, management and employment.

Meanwhile, the government is working on new policies and regulations to facilitate the founding and operation of new factories, such as giving them the same treatment as those owned collectively in the supply of materials, marketing of products as well as in taxation.

The managers and employees at the factories in operation all enjoyed an increased income compared with the money earned from individual business. And their products become more competitive.

At Liushi District of Leqing County, a town well known for its low-voltage electric apparatus, there are 1,563 share holders' businesses, accounting for 82 percent of its total.

To upgrade the quality of their products, they obtained the technical aids of colleges and research institutes across the country. Now more than 400 retired technicians and engineers work for private enterprises at Liushi District.

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## PROVINCIAL AFFAIRS

### XINJIANG SHOWS STRONG ECONOMIC GROWTH IN 1986

OW250722 Beijing XINHUA in English 0632 GMT 25 Jan 87

[Text] Urumqi, 25 Jan (XINHUA)--Northwest China's Xinjiang Uygur Autonomous Region reported all-round economic growth in 1986.

Despite adverse weather, the region produced 5.25 million tons of grain to set a record. This enabled the region to supply other provinces and regions with 500,000 tons.

As one of China's five main pastoral areas, Xinjiang had 30.7 million head of stock, up 500,000 over 1985, and another 9.17 million were sold. The amount of milk was up 50 percent compared with 1985, and meat, wool and eggs also increased by big margins.

Agricultural output value reached 5.3 billion yuan, up 9.9 percent, as compared with the previous year, to top the national increase of 7.4 percent.

In industry, output value increased by 9.6 percent as compared with 1985, and industrial exports increased by 12.7 percent.

The regional government's revenue increased by seven percent. The average annual wage in state-owned enterprises increased by 6.3 percent to reach 1,598 yuan, and the income of peasants and herdsmen, by 9.1 percent to reach 430 yuan. Bank savings in the whole region increased by 1.2 billion yuan to reach 4.5 billion yuan.

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## FINANCE, BANKING

### CONFERENCE ON TAX COLLECTION, FINANCES, PRICES

HK180857 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 14 Jan 87

[Text] Yesterday [14 January], the provincial government held a telephone conference on major check on tax collection, finances, and commodity prices. At the conference, Vice Governor Gu Jinchu made a report on the basic situation in the previous major check.

Beginning October last year, our province has made a major check on tax collection, finances, and commodity prices. After the stages of self-check and key check, we have now entered the stage of summation and of the establishment of a system.

The achievements scored in this major check are marked. Judging from the width and depth of the check, this check is better than in previous years. The amount of money which was involved in the cases of violation of discipline and which should be paid to the state was paid to the treasury more quickly than in previous years. According to incomplete statistics, by the end of December last year, self-check had been made by some 470,000 enterprises and institutions and key check had been made in some 82,000 enterprises and institutions--self-check had been made by 88 percent of the enterprises and institutions of our whole province and key check had been made in 25.3 percent of the enterprises and institutions. The amount of money found to be involved in the cases of violation of discipline totaled 148.28 million yuan and 80.97 million yuan had been paid to the treasury and accounted for 75 percent of the amount of money which should be paid to the treasury.

Vice Governor Gu Jinchu said: From now to the Spring Festival, according to the unified arrangements of the State Council and province, in the major check on tax collection, finances, and commodity prices, we must continuously do well in grasping the key check and in dealing with the cases of violation of discipline. In conjunction with the major check, we must stabilize the market commodity prices around the Spring Festival, strictly investigate and deal with those who indiscriminately raise prices, and prevent the malpractices of spending public funds on dinners and gifts and of going in for extravagance and waste. At the same time, in conjunction with the work of stopping loopholes and establishing a system, we must seriously do well in summing up the major check and continuously step up recheck. All places and departments must prevent the slack mood and do work well from start to finish.

(Ma Zhen), head of the State Council's major check work group in Sichuan, attended yesterday's telephone conference and spoke.

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CSO: 4006/311

## FINANCE, BANKING

### FINANCIAL SYSTEM NOT 'RIPE' FOR OPENING MONEY MARKETS

HK301141 Beijing JINGJI GUANLI in Chinese No 11, 5 Nov 86 pp 40-41

[Article by Lin Zhumin (2651 0031 2006): "There Should Be No Hurry in Opening Money Markets"---edited by Lin Daojun (2651 6670 0689)]

[Text] In the last 1 or 2 years there have been many beneficial ideas put forward in scholarly and theoretical circles on the question of our nation opening up money markets. This writer believes that there are insufficient reasons for opening up our nation's money markets at present and the conditions are also not sufficiently ripe. The basis for these ideas is as follows.

Looking at it from inside the financial system:

1. Financial organizations are still insufficiently perfect and systematized.

At present, our nation only has "five banks and one company" (The People's Bank of China, the Industrial and Commercial Bank of China, the Agricultural Bank of China, the Bank of China, and the People's Construction Bank of China, as well as the People's Insurance Company of China). The majority of trust and investment companies have not yet resumed normal operations. The international banks, foreign-fund banks, and other financial organs are only established in large cities and special zones (or development zones); and there are very few non-governmental financial organizations of various sorts for collecting funds, which have not yet been approved by the People's Bank of China. Looking at the types and situations of the various financial organs at present, we see that they are insufficiently perfect and systematized. There is great disparity between them and the financial organizations in capitalist countries, and they are far from sufficient to form a situation which will require a wide accommodation of funds.

2. Financial organizations have not yet been turned into enterprises or become relatively independent.

Turning financial organizations (mainly referring to banks) into enterprises has been talked about for many years. However, we are still far from the target. None of them have become relatively independent economic entities responsible for their own operations and profits and losses and it has not



been possible to turn management-style functions into operational-style functions. At present, banks do not have the power to select flexible and diverse operational forms. They have no way to decide on the channels and forms of capital sources and uses. They cannot arrange all financial activities in commodity economic relationships which fetters the realization and expansion of horizontal financial accommodation, and thereby obstructs the formation of a money market.

3. The relationships between the central bank and the specialized banks and between the various specialized banks have not yet been put in order.

Since the People's Bank of China began to exercise central bank functions, although great achievements have been realized, the relationship between the central bank and the specialized banks has not yet been put in order. This is mainly manifested in the following: 1) It is difficult for the People's Bank of China to exercise macroeconomic control over the specialized banks. This is especially so of the second and third-level branch banks in the various cities and counties. Although it is clearly stipulated that the relationship between the People's Bank and the specialized banks is a relationship of the leader and the led, the actual relationship between them is one of equality and coordination. Each of the specialized banks has its own head office and there is departmental management. The macroeconomic control by the central bank is there in name but not in reality. 2) It is difficult to guide the direction of capital flows. At present, the various levels of branches of the People's Bank below the province are all in a situation where they have no money, no power and no management measures. Thus they basically have no power to guide capital flows or regulate total social demand. 3) Because the central bank does not represent local interests, it often happens in work that it cannot get support (or get only marginal support) from the local government. This is particularly true when the central bank has different ideas on work for the specialized banks. The major manifestation of the relationship between the various specialized banks still has not been put in order. 1) There are major or minor conflicts in the overlapping of organization and in business competition. For example, the Rural Bank has entered the cities and the Industrial and Commercial Bank has gone to the countryside. There are also conflicts in terms of deposit and credit businesses. 2) Joint bank funds settling and inward remittance which is often done at monthly, quarterly, and yearly, takes up much of the outward remittance funds of the banks. This affects the use and turnover of enterprise and credit funds. 3) It is difficult to achieve timely fund estimates and settlements between specialized banks.

4. Credit forms and means of credit circulation have not yet been diversified.

For a long period, bank credit monopolized all credit activities in our nation. State credit, commercial credit, consumption credit and non-government credit were all strictly controlled and restricted within certain limits. Apart from the various traditional types, the means of short-term credit circulation include only the experimental acceptance and discounting of

commercial bills in a small number of places. Although treasury bonds and financial bonds have been issued, the scale and quantities are limited and are insufficient to form a money market.

5. The quality of financial cadres is quite low and they cannot meet needs.

In the last few years, although training of various types has been given to some of the financial cadres, they are still not up to the needs of the development of the situation. There is a particular shortage of reformist, enterprises decisionmakers. Also, there are few people who are good at investigative research, making analytical forecasts in the financial field, and at providing rational suggestions.

6. Financial laws are not complete and management levels are low.

If we are to open up money markets, first we need complete financial laws. The point of departure should be to appropriately formulate: 1) "Regulations on the Issuance of Stocks and Bonds"; 2) "Investment Laws"; 3) "Local Banking Organization Law"; 4) "Urban Credit Cooperative Law"; 5) "Provisional Management Regulations for Financial Markets," and so on. At present, the drafts for the "Banking Law," "Negotiable Instruments Law," and "Acceptance and Discounting Law" have been produced, but they need further revision. In this situation, I am afraid that it will be quite difficult for the People's Bank, as the central bank, to exercise macroeconomic regulation over the nation's financial activities.

7. Financial cadres are full of apprehension.

After the loss of control over credit in 1984, "double controls" on credit were introduced in 1985. Today there are still quite a number of financial cadres who are apprehensive about continuing to enliven the economy and relax credit policies. This year, the party, government, and enterprises have indicated that credit is difficult to obtain from banks, and floating funds are quite tight. However, within the banks the funds in the various branches are not tight. This is probably related to the above-mentioned apprehension and the cadres not daring to relax credit policies or be flexible in putting capital into circulation. In such a situation, the opening of money markets will have difficulty in achieving its due role.

Looking at it from outside the financial system:

1. There is little surplus capital, which restricts the expansions of the money markets.

Last year the people of the country, individuals, and enterprises had deposits of 400 billion yuan in banks. However, in terms of the nature of the funds, they were mainly turnover funds regularly expended on livelihood, production, and circulation. They were not all surplus funds and could not be used to purchase negotiable securities. The major reason enterprises do not have large amounts of surplus funds is because our country's national income is

mainly derived from state taxes and this is then subject to planned allocation. The proportion of funds left with enterprises is very small. As surplus funds are too few, it will be very difficult to expand the money markets.

2. Enterprises still do not have full operational decisionmaking power.

If we are to open money markets, enterprises must have the power to buy and sell capital as a commodity and must have the freedom to select their assets. At present, the state does not have regulations in this respect. This is one of the restricting factors.

3. The pricing and financial systems have not yet been put in order.

The present system through several reforms has already formed something with Chinese characteristics--the double-channel system transitional model. However, the problems remaining are manifold. If we are to open money markets, the starting point is to arrange a rational pricing system. In this way, stocks and bonds which are put on the market can truly represent the profit level of enterprises in normal operations. This will guarantee that the holders of the securities will obtain a stable income. Only in this way will enterprises truly be able to exercise legal person rights, take on legal person responsibilities and boldly and assuredly appear in the money markets. At the same time, we must, as quickly as possible, realize the rationalization of the funds' "price" (namely, interest rates) system, to motivate banks' enthusiasm, have them move as quickly as possible towards enterprise management, do well in horizontal capital movements and guarantee the formation of money markets.

In our nation's traditional financial departments-banks capital management system, "the financial departments are major and the banks are minor." The banks are only the payers and receivers for the financial departments (much less accountants). If we want to open money markets, we must completely separate banks and financial departments, so that banks become profit-making enterprise organizations. Financial departments and banks should be equals and independent of each other. They should be two systems coordinated in a unified way by the different levels of government and become the left and right hands of government. Only in this way will it be possible to achieve balance both macroeconomically and microeconomically, to coordinate the total demand and total supply of social capital, and promote the development of money markets.

4. In the last few years, the situation with respect to the economic and other structural reforms has been good. However, in quite a number of systems, departments, and units, there exists the situation where they "eat from the big pot" and there is egalitarian distribution. In some units, the economic responsibility systems have not been implemented, there is often wrangling and work is slow in being done. Also, some party cadres have unhealthy party styles, they violate the law and discipline, and tarnish the

party's reputation. If these problems are not resolved in a timely way, I am afraid that hurriedly opening up money markets will not have a positive effect.

In brief, the opening of money markets is correct and we must persist in that direction. However, if in the next 2 years, we hurriedly seek to achieve this, I am afraid that it will be difficult to achieve any results. If indeed there is a desire to open up markets this year or next, then experiments should only be carried out in large cities like Shanghai or the Xiamen Special Economic Zone. This is because their conditions are quite ripe.

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CSO: 4006/311

STANDARDIZATION OF MONEY MARKETS DISCUSSED

Shanghai SHIJIE JINGJI DAOBAO WORLD ECONOMIC HERALD in Chinese 17 No 86 p 6

[Article by Zhao Haikuan 6392 3189 1401 : "Proposal for Further Standardization of Money Markets"]

[Text] In the last few years many enterprises and institutions have issued stocks and bonds. Decontrol of commercial credit has also brought about a gradual increase in the use of notes. Banks are beginning to borrow from one another and to handle note-discounting transactions, and a money market has begun to be formed. Secondary money markets where negotiable securities can be traded have also appeared in some areas. The problem now is to further expand the primary money market, establish secondary money markets in all large cities, and gradually standardize them. To this end, the following tasks should be performed:

1. Increase Money Market Research and Propaganda

Money markets are a new issue for new China. Therefore, close attention must be paid to assimilating our experiences and mustering our forces to undertake theoretical and applied research, and to use various means to propagandize and explain money markets so that the personnel in question will have a uniform understanding and grasp of basic methods.

2. Relevant Laws and Regulations Must Be Established, To Legally Regulate the Scope and Limits of Money Markets; Administration and Management Must Be Improved

China's money markets are not currently developing quickly enough; incomplete laws and regulations are a major reason for this. Because of incomplete laws and regulations, anyone wishing to raise capital through a money market has no idea what is legal. Anyone lending out money or buying negotiable securities worries that, because there are no legal protections, he may not recover his principal and interest. It is, therefore, an important step in the overall decontrol of the money markets to quickly draft laws and regulations.

3. Exert Effective Macrofinancial Control

After money markets have been opened up, in order to ensure that the overall social supply of funds and the total money supply basically conform to the

need to balance overall social supply and demand, full consideration must be given in the area of macrofinancial control to the effect of the money markets on the money supply and, thereafter, on overall social demand.

In raising capital through the money market, the rate of currency turnover should be accelerated, with the exception of expenditure reserve funds, which are turned into production funds. With the original money supply being normal and other conditions constant, the rate of currency turnover is accelerated. In order to prevent an imbalance between overall supply and demand, the banks must correspondingly cut back on total lending, thereby reducing bank funds and the money supply. If they do not take the initiative in reducing the money supply, the currency will be devalued according to how much turnover was supply are correspondingly reduced, the result will be the same. In either case, part of the funds originally distributed according to state plans must still be earmarked for distribution according to market mechanisms. Since opening up money markets makes it possible to compensate for any shortfalls in funds distributed according to plans, and to improve the benefits of using funds, earmarking part of those funds distributed according to plans and distributing them through market mechanisms is necessary and worthwhile. Naturally, too much must not be taken out, otherwise the planned nature of the distributed funds is prejudiced.

In summary, after money markets are opened up, macrofinancial control should be strengthened. In working out a comprehensive balance in overall supply and demand, consideration must be given to money markets as a factor in increasing the rate of currency turnover. If we give full consideration to this factor and effectively control the overall social money supply, opening up money markets will not constitute an attack on the planned, proportional development of the national economy but rather will promote the unhindered healthy development of the economy.

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CSO: 4006/205

## FINANCE, BANKING

### RENMIN RIBAO ON REFORM OF BANK CREDIT SYSTEM

HK120720 Beijing RENMIN RIBAO in Chinese 2 Jan 87 p 5

[Article by Wang Zhuo (3769 3820) and Liao Shuhui (1675 2562 6540):  
"Exploring a New Road to Reform of the Bank Credit System"]

[Text] There are three "big pots" in the existing bank credit system: 1) the central finance eats from the "big pot" of bank credit; 2) the specialized banks at various levels eat from the "big pot" of the central banks; 3) the enterprises eat from the "big pot" of bank credit. Where is the kitchen range of these three "big pots"? The kitchen range of the three "big pots" is the extraeconomic issuance of currency. Therefore, the core of exploring a new road for the reform of the bank credit system is how structurally to resolve the contradiction caused by the extraeconomic issuance of currency from the high plane of effective adjustment of social demands. In order to resolve this problem, it is imperative to macroeconomically smooth out three types of relationships.

#### Smooth Out the Relationship Between the Central Finance Departments and the Central Banks

In the 1950's, the principle of achieving a unified balance between the financial revenue and expenditure and the bank credit funds was carried out. At that time, the orientation of the principle was correct and implementation of the principle also produced good results. In recent years, the situation has changed with the economic situation improving year after year and the central finance departments suffering a deficit for consecutive years. What should merit attention is that whenever the central finance departments are in the red, the problem can be easily resolved if they open an overdraft account with the central banks. This has formed a new structure such that the central finance departments "give a dinner party" and the central banks "pay for the dinner" and thus the financial expenditure elbows out the credit funds. Then what if the bank credit funds are insufficient? The only way out is to issue more currency to excessively increase the currency supply and directly expand the basic currency of the central banks. This type of currency issuance is in nature of financial issuance, which will inevitably cause the expansion of social demands and over-distribution of the national income. The result will be inflation, price hikes, and the lack or insufficient supply of production means the prices of which are banned from being raised.

The practice of allowing the central finance departments to overdraw money from the central bank to offset deficits is, in nature, to approve the practice of using the enterprise circulating funds for the purpose of expanding the scale of investment in fixed assets. This is one of the root causes for the growing demand for investment in fixed assets, and also the cause of the imbalance in the proportion of the distribution structure of accumulated funds--the shortage of circulating funds and the expansion of investment in fixed assets. Such a relationship between the central finance departments and the central banks, which is characterized both by a call for control of the scale of investment in fixed assets and by the provision of conditions for the expansion of investment in fixed assets in recent years, cannot effectively bring the financial deficit under control; and nor can it effectively readjust the social demands and help to realize the macroscopic balance in the distribution of national income.

Therefore, at the moment when we are studying the reform of the bank credit system, it is necessary for us structurally to smooth out the relationship between the central finance departments and the central banks, establish the central banks' independent position in macroeconomic management, and define the new relationship between the central finance departments and the central banks on the question of financial deficit: Deficits of the central finance departments cannot be offset by an overdraft from the central banks and can only be offset by the issuance of government bonds, and the central banks should provide services to the central finance departments whenever they want to sell the government bonds. Clearly defining the new relationship between the central finance departments and the central banks can fundamentally prevent the overdistribution of national income from slipping through the gap of the financial issuance of currency and, at the same time, help to macroscopically solve the "long-standing problem" of using enterprise circulating funds for the purpose of increasing investment in fixed assets.

#### Smooth Out the Relationship of Profit Distribution Between the Central Finance Departments and the Specialized Banks

Along with the development of the production of old enterprises and the increase in the number of new enterprises, the demand for enterprise circulating funds will certainly increase year after year. Then, where can we get funds to meet the ever growing demand for enterprise circulating funds? At present, after paying taxes, the enterprises can only retain a small amount of profits while the "technological transformation relies on loans, the bonuses and welfare rely on the retained profits, and the enterprises have nearly no circulating funds." The plan to allocate 30 percent more of circulating funds to the enterprises from the financial budget has, in fact, failed to be realized. As a result, the main sources for the increase of the enterprise circulating funds are: 1) the increase of the citizens' bank savings; 2) the profit of the specialized banks; 3) the currency issued by the central banks' economy.

The first source, the increase of the citizens' bank savings. Part of this source can be used to increase the enterprise circulating funds. At present,



there is still a great potential in the citizens' bank savings. However, the increase of the citizens' bank savings should not be too fast; otherwise, it will use the reduction of market volume which will, in turn, result in an overstock of unsaleable enterprise products. If this situation happens, the whole or part of the increased amount of the citizens' bank savings will simply be offset by the overstocked products, thus being unlikely to be used as a reinforcement to the circulating funds whose supply falls short of demand.

The second source, the profit of the specialized banks. This is an important source to supplement the credit funds. However, at present, the profits of the specialized banks at various levels are gathered at the general office of the specialized banks, and then 60 percent of them are turned over to the central finance departments. Therefore, the central finance departments gathers the majority of the profits of the specialized banks but do not allocate the necessary number of credit funds to the specialized banks in their annual budgets. This is, however, still the practice of the central finance departments using the circulating funds to expand the scale of investment in fixed assets.

The third source, currency issued by the central banks in order to meet the normal demand of economic growth. The currency issued by the central banks' economy can be used to reinforce the circulating funds. However, the supply of such currency should be determined by the economic growth rate and the speed of currency circulation, and cannot be simply used as a method to make up the balance of the deposits and loans of the credit funds of the whole country; that is to say, the supply of such currency should not be increased according to the increase rate of the demand for the circulating funds. Otherwise, the supply of the currency would certainly exceed the normal demand of economic growth, thus causing inflation and price hikes.

The only way to resolve this problem is to macroeconomically smooth out the relationship of profit distribution between the central finance departments and the specialized banks. There are two choices: One is that the main part of the profit of the specialized banks is retained for the specialized banks as credit funds; the other is that the specialized banks still turn over their profits to the central finance departments, which will allocate credit funds to the specialized banks according to the demand of the annual balance of credit funds. On the basis of using one of these methods, we should reform the management system of circulating funds and ban the enterprises from eating from the "big pot" of bank credit. For this reason, the banks will not be responsible for the supply of enterprise circulating funds. The enterprises will be free to open an account with any bank they like and borrow loans from any bank they prefer, while the banks will also be free to select their customers and provide loans according to the prestige, economic results, and repayment capability of the enterprises.

If we are able to macroeconomically smooth out the relationship of profit distribution between the central finance departments and the specialized banks, we will certainly be able to macroscopically ban the practice of using

enterprise circulating funds to expand the scale of investment in fixed assets and open up an important source to supplement the circulating funds. Moreover, this will also be conducive to the formation of an investment self-control mechanism in finance, which will financially control the investment in fixed assets, thus providing macroscopic conditions for us to run the specialized banks in the way enterprises and money markets are operated.

#### Smooth Out the Relationship of Credit Funds Among the Banks

In 1984, the central bank system began to be established; in 1985, the credit fund management structure characterized by "a unified plan, the division of funds, actual loans and actual deposits, and fund circulation" began to be implemented. The orientation of these practices is correct. However, the problem of the "big pot" structure in bank credit funds has not yet been fundamentally solved, and the economic issuance of currency and the planned balance of credit funds are still devoid of a scientific decisionmaking structure; the planned-quota management system is still implemented between the higher and lower levels of the various people's banks and specialized banks. Such a "big pot" structure among the banks will inevitably form a bank credit fund self-expansion mechanism in various specialized banks; under such a credit fund structure, neither the general office of the central bank nor the general office of the specialized banks will be able to effectively coordinate and control the social demand. Since the credit funds cannot be put under control, quotas will be set to control the credit scale. And because the credit scale is divorced from the source of credit funds, the situation of "excessive control leading to rigidity" will happen. It seems that the fundamental question lies not only in that the specialized banks at various levels should form their own mechanisms to broaden sources of credit funds but also in that the specialized banks at various levels should form their own mechanisms to control the demand for credit funds and effectively readjust the demand for credit funds. If the question is solved, we will be able to fundamentally solve the problem of credit expansion. In order to form the credit-fund self-control mechanism in the specialized banks, it is necessary to smooth out the credit-fund relationships among the banks in the credit structure. Our general idea is to implement the multi-level bank-credit-fund macroscopic management structure:

1. To make it clear that the right to issue currency is centered in the general office of the central bank, which is not interfered in by the deficit of the central finance departments and the imbalance in the plan of credit funds. So long as the general office of the central bank tightly controls the "switch" of currency issuance, it will be able to control the financial issuance of currency, control the expansion of the demand for credit funds, eliminate the phenomenon of using circulating funds for the purpose of expanding the scale of investment in fixed assets, and also eliminate the phenomenon of the expansion of credit funds. Of course, the structure is not almighty, and we should also have a democratic and scientific macroscopic decisionmaking structure to guarantee correct decisionmaking in the economic issuance of currency.

2. Implementation of the multi-level macroscopic management of the central banks' credit funds. No matter whether the credit funds are mainly controlled by the "various departments" or "various regions," the most of it should be controlled and managed by the specialized banks through loans and the central banks should control only a small number of temporary loans. This will help the central banks concentrate their efforts to do a good job in financial management and make use of the various types of economic levers to regulate the money market. On this basis, the central banks will examine and decide the number of temporary or other types of loans to be provided or reprovided by the branch banks at various levels, use these loans in a coordinated and multi-levelled way, and decide the proportion of the loans to be used in a coordinated way at various levels. Efforts should be made to gradually enhance the urban central banks' capability of regulating funds, and the right concerning "actual loans and actual deposits" should be delegated to the organizations of the central banks in the cities. Implementation of the multi-level macroscopic management of the central banks' credit funds will not only ensure that the central banks at higher level can coordinate and use the temporary loans according to the actual needs but also enable the organizations of the central banks in the cities to have a proper and stable decisionmaking power in using the temporary loans.

3. The implementation of the multi-level macroscopic management of the credit funds of specialized banks. No matter whether the credit funds of the specialized banks are mainly controlled by the "regions" or the "departments," we should gradually enlarge the urban specialized banks' self-decisionmaking power in using credit funds and implement a multi-level macroscopic management of credit funds, namely, the multi-level circulating-fund-loan management system which links deposits with loans. Under the present circumstances, the specialized banks should implement the multi-levelled flexible-balance control of the budgetary loans to be provided to the general office of the specialized banks by the general office of the central banks. The specific methods are: On the basis of stabilizing the basic balance between the deposits and loans of the specialized banks at various levels (the basic balance is to be maintained for several years running without being changed), the banks at a higher level will equally distribute the loans to the loan-borrowing banks at various lower levels according to the annual increase rate of the budgetary loans; the loan-borrowing banks at various lower levels will not be allowed to break the budgetary loan distribution quota and will be responsible for balance between the income and expenditure of credit loans. The banks at a high level can also examine and decide the proportion of the budgetary loans of the banks at lower levels in the total number of budgetary loans of the banks at a higher level. And once the proportion is decided, it can be maintained for several years running without being changed. The banks at a higher level will increase and reduce the budgetary loan quota of the banks at various lower levels according to a percentage fixed in light of the increase rate or decrease rate of the budgetary loan quota of the banks at a high level. The banks at a higher level can examine and decide the volume of loans deposited in the loan-depositing banks at various lower levels according to the specific situations

of the various loan-depositing banks; the volume can be maintained for several years running without being changed.

Implementation of the multi-level macroscopic management of credit funds will enable the banks at various levels to form their own mechanisms to control the demand for credit funds to find the internal force to control the expansion of the scale of credit funds. In the meantime, on such a basis, we will be able to break through the blockades enforced by the "various departments and regions," open up various money markets, greatly develop a variety of methods to accelerate the circulation of funds, extensively publicize and apply various types of credit means, and accelerate the process of running the specialized banks in the way the money markets and enterprises are operated to prepare conditions for the overall reform of the financial structure.

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## FINANCE, BANKING

### PROBLEMS RELATED TO OPENING MONEY MARKET NOTED

HK280536 Beijing JINGJI GUANLI in Chinese No 11, 5 Nov 86 pp 36-39

[Article by Wang Runsheng (2769 3387 3932): "Views on Opening Up the Money Market"--edited by Lin Daojun (2651 6670 0689)]

[Text] When specifying the tasks of developing the socialist market structure, the 7th 5-Year Plan clearly stated: From now on, it will be necessary to "systematically open up and establish a money market." This article presents certain of the writer's individual views on several of the problems related to the opening up of the money market, taking as an example the economic development conditions of Shasi, a medium-sized city in the southern part of China.

#### Inevitability of Opening a Money Market

The purpose of opening a money market is to mobilize all the capital in the whole society to serve economic development.

1. To suit economic development it is necessary to open a money market. Quadrupling of the gross output value of industry and agriculture requires the use of a large amount of capital. To depend on the finance department and the banks alone is basically not suitable. The amount of credit and loans contemplated in Shasi's 7th 5-Year Plan is minute compared to the problem of capital. By 1990, Shasi's gross output value in industry and agriculture is planned to amount to 3.02 billion yuan, an increase of 1.1 billion yuan over 1985, averaging an annual increase of 9.6 percent. Based on the average ratio of loans to the city's industrial and output value in the past 3 years and taking into consideration other factors such as the accelerated turnover of capital, it is anticipated that by 1990 the amount of credit and loans required [garble] 1.76 billion yuan, an increase of 601 million yuan over 1985, averaging a 9 percent increase. At the end of 1985, computed according to the principle of "seeking [?] -balancing," the gross credit balance of the deposits in the various banks in Shasi City amounted to 392 million yuan, an increase of 40 million yuan over that in 1984. Analyzing the trend of deposits in the next 5 years, due to the continuous increase in people's income in the cities and countryside, savings deposits will rise on a large scale. But since enterprises have to take into account business accounting, the chances are rather small of a rise in deposits following the

closing of final accounts. It is likely that a rational excess and a deficit due to a portion of the deposits not being available for use (because financial deposits and deposit reserve funds remitted by the specialized banks are available for general use) will about balance each other and within the 5 years, the self-raised credit and loans will only be about 200 million yuan. Within the banking system, in 1986, when the money supply was tight the credit and loan plans forwarded by the upper levels to the lower levels of the city's industrial and agricultural banks both indicated that the amounts of deposits were larger than the amount of loans, thus indicating that no increase in the amount of loans was envisaged. Even assuming that from now on the money supply will be increased, it may be estimated that the increase will not exceed 200 million yuan. Despite such an optimistic accounting, one-third of the needed capital will still be lacking. And what would we do in regard to the capital urgently needed for economic development? The answer is to open a money market, tapping the potentials of social capital and changing the practice of "contracting for all" to "everybody lending a hand." Meanwhile, following the economic reform, a "many-sided" situation has appeared in the constituency of our country's economy. The economic cells have become enlivened, economic lateral relations have developed and the economy's elasticity has increased. Hence, the solitary state in the supply and demand of capital must be changed.

2. Improvement in economic benefits requires the opening of a money market. For a long time, investment benefits have not been particularly good because the supply system was forced into making investments. According to the records of Shasi's statistical yearbook, in 1984, the city's industrial enterprises owned by the whole people or by collectives possessed fixed assets with an original value of 820 million yuan. The year's output value was 1.5 billion yuan. In other words, 1 yuan of fixed assets could yield only 1.82 yuan of output value and the level of value-creation was not high at all. But, after opening the money market, enterprises will no longer be making investments "from the same big pot" at the expense of the state. They will consciously be concerned with investment benefits and they will increase their value-creating and profit-earning capability.

3. Displaying the functions of the market mechanism requires the opening of a money market. Under a planned commodity economy and the firm insistence on guidance from the state's macroeconomic plan, it is essential to fully utilize the market mechanism and to vigorously develop commodity production. For this reason, we must gradually establish an integrated socialist market structure embracing a commodity market, money market, science and technology market, information and intelligence market, and labor market. Of them, the opening of a money market commands predominant importance, because it plays the role of lubricant and a "regulating instrument." In another sense, it guarantees that the other markets' will play their respective roles.

#### Conditions for Opening a Money Market

Opening a money market generally requires the presence of four basic conditions: 1) Economic-environmental conditions; 2) monetary condition; 3) regulating measures condition; and 4) legislation condition.

The economic-environmental condition depends principally on the investment environmental condition. Since the 3d Plenary Session of the 11th CPC Central Committee, Shasi's industrial development has proceeded rather rapidly. The city has gradually become an industrial city with the light textile industry as the center surrounded by the other industries such as machine building, petrochemicals, electronics and building materials. After many years' efforts, it has produced some 162 categories of superior goods, commanded a fairly strong competitive power in the domestic markets, and some of the products have gained a foothold in foreign markets. Its enterprises have a rather high profit-earning level, and are particularly attractive to investors. Following the enforcement of the opening up policy and "opening wide the city gates and letting in money and treasures," some 50 outside enterprises have entered into the city, bringing along in their wake over 10 million yuan of capital, and generally making the local markets prosperous. On the side of the lateral economic relations, over 10 industrial plants have entered into joint-operation agreements with enterprises in Shanghai and elsewhere, introducing advanced technology, improving the quality of the products, and augmenting their competitive capability. At the same time, the city has scattered to its surrounding townships and villages over 20 categories of equipment, technology, and products. Under the conditions where economic constituents of diversified forms coexist, jointly-run enterprises, service companies, and individual entrepreneurs have appeared. All this has created good economic conditions in which to 2 money market [as received].

Capital constitutes the principal condition for the establishment of a money market. To a very large extent it imposes restrictions and controls over the opening of a money market. The current conditions in our country are as follows:

1. The conditions for money supply are initially available. The money market embraces the two sides, money supply and money demand. At present, the money supply in our country has begun to be transformed from the "great unifier" in the past to attaining the special features of "leading and guiding character," "diversified character," "available or unstable character," and being generally in accord with the flexible nature of a money market. The concrete manifestations are: a) Capital in the finance department and bank play the leading role in the money market and occupy a leadership position. b) Due to the changes in the state's distribution system, the money supply has gradually assured "diversification": Following the expansion of enterprises' decisionmaking powers and their retention of a portion of the profits, enterprises' capital and financial strength have continuously increased; since opening the commodity market, collective enterprises' and individually-run enterprises' capital has also increased; in the course of the rural reform, the income of peasants, particularly those who have become well-off first, has noticeably increased; and readjustment of the compensation of the staff members and workers has increased the consumption funds of the city people. All of the above have provided direct conditions for the supply of money and capital. Moreover, with the various localities enjoying their own geographical superiorities, potential conditions have also been provided for the supply of money and capital. c) Under the guidance of the state policy

and plan, the financial power of the state, the collective and the individual can all be "mobilized." These changes in the money supply have created advantageous conditions for the opening of a money market.

2. Diversified forms of merging capital. In our country at present, diversified forms of merging capital have already appeared. There are direct ones and indirect ones. The indirect ones include: state credit and bank credit that already existed and commercial credit, trust investment, rental activities, discounting businesses, and so forth, that recently appeared. Direct credit was formerly prohibited. Now there has been a spontaneous emergence of such practices as social raising of funds, issuance of shares of stocks, the enterprises' self-raising of funds, and so forth. These have supplied fertile ground for investors and those raising funds to make their selection.

3. Fund-merging tools have merged in diversified forms. Simultaneously with the appearance of diversified forms of merging capital, various kinds of financial instruments have also been created such as financial bonds, shares and stocks, and so forth.

Analyzing the regulatory measures and the legislative conditions following the establishment of the central bank structure, the functions of various kinds of economic levers have continuously been strengthened while economic legislation has also been gradually perfected. However, at present the financial status are admittedly not yet in a healthy condition and the regulatory measures have been over-concentrated. For example, the state has not promulgated laws governing the "control of financial instruments" and laws governing "investment by individuals," and it has not yet delegated to the power levels important measures with which to invigorate a money market; namely, the power to fix interest rates. Nonetheless, these conditions can be changed; rather, they can be created.

#### Contents of Opening a Money Market

A money market refers to the loan activities carried out by the state, the enterprise and the individual to regulate the supply and demand of capital through utilization of diversified credit forms and diversified credit instruments. It represents any abstract concept since there is no concrete site or place for the market. For example, a securities exchange is a form of a money market. In reality, a money market has already been in existence in the financial activities of the various financial institutions and enterprises, except that an expanded money market is needed. For a long time, our usage of money has been confined to the small sphere to exchange the means of consumption and there has not been any market for the means of production. The large volume of transfer of accounts between the banks and the enterprises has not been acknowledged as money and capital. Therefore, as a first step in opening a money market, stress should be laid on opening a securities market, to enable the holder of funds and those needing funds to have more selective grounds and to flexibly transform the stature of capital. At present, the opening up process should contain the following:



1. A securities market. The issuance of share certificates by enterprises may take two forms. One is a "limited-time" type share certificate, the principal of which can be repaid. It is a sort of privileged type of bond or debenture, applicable to small enterprises whose credit rating is not high. The other is a "marketable-type" share certificate the principal of which cannot be paid. Share certificates embody rigid requirements. They must go through a legal procedure. They can freely be bought or sold, circulate, and may be issued by large and medium-sized enterprises whose business conduct is beyond reproach, whose products are highly competitive, and whose economic results are good. At the same time, commercial promissory notes should be accepted and permitted to circulate.

2. A bond market. Bonds refer principally to state bonds and financial bonds. State bonds are mainly intended to be marketable, or capital of circulating in the market; they are transferable and can be discounted. Financial bonds are issued by the various specialized banks. The capital derived from them is used for special loans to meet the urgent needs of enterprises which can afford to pay relatively higher interest rates. Since floating financial bonds meet fairly long-term urgent needs, their repayment period of the special loans for which they are issued should be a little flexible. This is because the scope of their capital usage is to supplement the insufficiency of circulating capital and also to meet the final expenses for capital construction projects. Since the enterprises using capital to replenish their circulating funds usually need them for a short period, an issue of financial bonds may be used in two stages, i.e., upper and lower stages, to be available for use by two separate enterprises. Since enterprises using capital on fixed assets require the use of the capital for a longer period, they can also issue the same amounts in replenishment when principal repayment of the bonds falls due. At the same time, it should be possible for the bonds to be issued in one locality and be floated in another, thus effecting the merging of capital between localities of high interest rates. The bonds should be enabled to be gradually procurable in the market and be discounted.

3. A discount market. This provides the economic motivating force for the issuance of stocks and bonds. Without a discount market, the securities market and the bond market will lack vitality. Discount and rediscount businesses are also effective measures for the banks to effect an indirect control over the scope of capital and are beneficial to regulating the flow of market capital. This control and regulation have to depend on the role of the interest rate.

4. A borrowing and discounting market between units of the same trade. Its purpose is to effect the lateral merging of capital. At present, the control of capital in our country is a sort of "scope or dimensional" control. The structure of capital inevitably occasions times of laxity and times of stringency. The various specialized banks can make use of the space differential, time differential, and project differential to mutually regulate the excess or deficit of capital to maximize their beneficial effects. Such capital borrowing and discounting activities should be carried out not only

within a city limit but should be extended to the merging of capital across several localities. The interest rate on the borrowing and discounting of capital may be determined by consultation between the parties concerned and can vary to a definite extent. The time period should be a suitable one, usually within 3 months, and may be extended if the necessary conditions are available.

5. A mortgage and real estate market. Following the development of the economy, loan activities have become more frequent. To enable enterprises without suitable credit guarantees to obtain loans, banks may require the borrowers to provide as security a definite amount of materials or financial instruments which can be easily kept and disposed of to reduce the risks of loaning out capital and expand the scope of loans. With the gradual commercialization of residences, the value of capital required for building construction has steadily increased. Although at present our banks do not include real estate transactions in the scope of their businesses, they are still responsible for merging capital between the builder and the buyer. Banks may accept special deposits for buyers and start consumption loans, making use of special funds to support and promote the development of the real estate business.

6. A trust, rental and lease market. Trust is a kind of business in which the owner of capital, who lacks the capability to manage it, entrusts it to trust organs for care and management. At present, the various specialized banks should set up trust departments, laying the emphasis on the organization of trust funds, at the same time engaging in the rental and leasing businesses.

#### Problems Requiring Solution in Opening a Money Market

1. It is necessary to strengthen management subsequent to opening a money market. After the market has been opened, if management is not carried out well, certain side effects may develop; hence management must be strengthened. First money market activities must be incorporated into the state's macroeconomic plan, subject to the people's banks' unified control. Second, the floating of stocks and bonds by enterprise should be subject to screening by people's bank's special organs which should examine the properties of the enterprise, the quality of their financial instruments and the investment direction of their capital, and should give policy guidance to the enterprise, to ensure its healthy development and also to protect the interests of the investors.

2. It is essential to perfect economic statutes. The socialist character of the money market is contingent upon the gradual perfection of the relevant economic statutes. Opening a money market must be accompanied by the enactment of laws governing the control of financial instruments and private investments, on the one hand, to guarantee the legal status of the instruments and their long-term circulation as instruments of value, and, on the other hand, to acknowledge the private character of the investment and its legitimate interests. Prior to formal promulgation by the state, the economic

statutes required for the opening of a money market may be substituted in transition by temporary control regulations formulated by local governments to facilitate the normal functioning of the money market.

3. It is essential to obtain the right to control interest rates movements. The regulatory mechanism in a money market is the interest rate and it must be flexible. On the precondition of basically maintaining the interest rate at a general level it is necessary to enforce differential interest rates and floating or movable interest rates, based on such factors as the direction of the flow of capital, the duration of the loan, high or low economic benefits, the extent of the guarantee, good or poor credit status, and so forth. The floating or movable extent should not be over 30 percent. Without holding the right to control interest rate movements, the money market cannot be opened.

4. It is necessary to remove two apprehensions. Regarding a money market people currently still have two apprehensions, namely: 1) fear of adverse effects on macroeconomic control; and 2) fear of inroad into bank deposits.

Is there any possibility of adversely affecting macroeconomic control: The purpose of macroeconomic control is to achieve the balancing of social gross demand and social gross supply. The kind of money market we are opening up is a socialist money market. Its business activities, under the leadership of the central bank, are subjected to regulation and control through economic measures supplemented by necessary statutes and administrative intervention. The opening of a money market breaks up the practice of "everybody eating from the same big pot" and the non-compensatory nature of the supply of capital. Because of enlarged risks incurred by the enterprise in its investments or raising of capital, the enterprise is bound to carefully consider whether the investment is workable and its possible economic benefits. This restricts the enterprise's expansionist ambitions and inner demands. At the same time, opening a money market will attract consumer's interest in investment, exert a restraining force on consumption activities, lower people's consumption desires, and overcomes "consumption's illness of early-maturity" and irregular consumption desires. If the control structure is healthy and the regulatory measures are good or perfect, then opening a money market is beneficial to and will improve macroeconomic control.

How should the fear of lashing at or possible inroads into bank deposit be treated? After opening a money market, possibly a portion of the source of capital is from bank deposits which will lead to a reduction in bank deposits. Regarding this, we should have a correct understanding. For a long time, we have faithfully followed the traditional concept of "centralizing all credits into the banks." This is disadvantageous to the invigoration of capital. The emergence of other investment channels other than the track of banks not only can make investments more rational but also do not necessarily reduce bank deposits. Given that stocks and share certificates are procurable in the market, it does not happen that everybody will buy them. Even though some people do buy, they may not deplete their whole savings just for that purpose. Moreover, after selling shares, the company may still deposit the capital in the banks, except that in such a case savings deposits from individuals are changed into deposits from collectives. But, in the meantime, the invigoration of capital will promote economic development; following economic development, people's incomes will rise and their savings will increase.

## FINANCE BANKING

### FOREIGN-CURRENCY DEPOSITS: QUESTIONS, ANSWERS

Shijiazhuang HERBEI RIBAO in Chinese 15 Nov 86 p 2

[Article by the Hebei Branch of the Bank of China: "Type C Foreign-Currency Deposits: Questions and Answers"]

[Text] Question: What is a type C foreign-currency deposit?

Answer: A type C foreign-currency deposit is one of the three types of foreign-currency deposits currently handled by the Bank of China. Type A foreign-currency deposits are those of Sino-foreign institutions, enterprises and organizations.

Type B foreign-currency deposits are for foreign exchange funds deposited in the Bank of China by foreigners, overseas Chinese, Hong Kong and Macao compatriots residing abroad or in Hong Kong or Macao, and tourists visiting China for a short period of time.

Type C foreign-currency deposits are those deposited in the Bank of China by residents of China for foreign exchange and currency remitted or brought into China from abroad or possessed by residents themselves.

Q: Which institutions handle these deposits? Who may start a Type C foreign-currency

A: With the approval of the State Council, all the branches, subbranches, and offices of the Bank of China within China may handle foreign-currency deposit transactions. In Hebei Province, the Shijiazhuang, Qinhuangdao, Tangshan, Chengde, Zhangjiakou, Baoding, Handan, and Xingtai branches and subbranches of the Bank of China all handle these transactions.

All residents of China holding foreign exchange or foreign bills may start Type C foreign-currency deposits.

Q: Which currencies may be deposited? How much is required to open a deposit?

A: Five currencies, including U.S. dollars, Hong Kong dollars, Japan yen, British pounds, and West German marks, may all be deposited in the original currency. Other currencies may be freely converted, the depositor freely

selecting one of the five aforementioned currencies; the deposit will be entered according to the posted exchange rate on the day of the deposit. The amount required to start a deposit is generally the foreign-currency equivalent of not less than 150 RMB yuan.

Q: What are the term options for fixed deposits? How is the interest on foreign-currency deposits calculated and paid?

A: Fixed foreign-currency deposits are available in 3-month, 6-month, 1-year, and 2-year options, which may be freely selected. The interest is calculated and paid in foreign currency according to the interest rates for individual foreign-currency deposits published by the head office of the Bank of China.

Q: Can fixed deposits be drawn on early? How is the interest figured?

A: Fixed deposits generally may not be drawn on early. However, if the funds are urgently needed, the drawee must present valid identification and may, with the consent of the bank, draw on his deposit early. Interest on the portion drawn is figured according to bank regulations; interest on the undrawn portion continues to be figured according to the original interest rate.

Q: How are foreign-currency deposit procedure handled?

A: When a depositor makes a deposit in foreign currency, he must fill out a deposit slip, and the bank issues him a deposit receipt (book); the depositor withdraws his deposit based on the bank's seal and the deposit receipt (book).

Q: If the deposit receipt (book) or the seal is lost, what should be done?

A: If the depositor loses his deposit receipt (book) or seal, he should immediately take his personal identification documents and follow the bank's written procedures for reporting a loss. After the bank has verified that there is no error, it issues a new deposit slip (book). Should the deposit have been fraudulently withdrawn before the loss is reported, the loss may not be reported, and the bank bears no responsibility for pursuing the matter.

Q: What is the difference between a foreign exchange account and a foreign-banknotes account?

A: A foreign-exchange account may be freely remitted out; the foreign bank notes of a foreign-banknotes account may be freely withdrawn. Furthermore, since the bank must bear transport costs, insurance, and lost interest on the stored cash when it sends foreign banknotes out of the country, there are three differences between foreign exchange deposits and foreign-banknotes deposits when they are withdrawn.

1. When RMB are withdrawn, the bank converts at a different posted rate; foreign exchange deposits are converted at the foreign exchange buying price.

2. When foreign banknotes are withdrawn, the bank pays them out according to the actual currency deposited; for foreign exchange accounts, payment is made according to the posted rates for buying exchange and selling foreign banknotes.

3. When remittances are made, the bank transfers outward according to the original amount of the foreign exchange deposit; for foreign-banknotes deposits, the amount is converted according to the foreign-banknote buying price and the foreign exchange selling price.

Q: Can Type C foreign-currency deposits be withdrawn in foreign-currency cash and transferred out of the country?

A: The capital and interest on foreign-banknote accounts may be withdrawn in cash; an appropriate amount of a foreign exchange deposit may be withdrawn in cash. The capital and interest on foreign exchange deposits may be transferred out of the country. For a foreign-banknote deposit to be transferred out of the country, the Bank of China or a foreign exchange control department must examine and approve the transfer according to regulations. The cash withdrawn from a Type C deposit or the currency transferred out of the country should be the same as the currency of the original deposit. If a different currency is to be withdrawn or transferred, it is converted at the posted foreign exchange rate on the day of the withdrawal or transfer.

13322/12951

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## FINANCE, BANKING

### BRIEFS

**QINGHAI TAXES SELF-INSPECTION**--The stage of self-inspection of the large-scale inspection of taxes of Qinghai Province had basically concluded by the end of November. Through self-inspection, the whole province discovered tax evasion, including funds for key projects of communications and energy resources, totaling some 5.21 million yuan and deposited some 2.64 million yuan with the treasury. Judging from the situation in self-inspection, the largest amount of tax evaded was the product tax and the second largest amount of tax evaded was the business tax. At present, the large-scale inspection of taxes of all places throughout the province has entered the inspection of the key points. [Summary] [Xining Qinghai Provincial Service in Mandarin 2330 GMT 11 Dec 86 HK] /9599

**XINJIANG INCREASES TAX COLLECTION**--By the end of November, Xinjiang Region had collected taxes of 1.56 billion yuan, 12.9 percent more than in the same period last year. The region overfulfilled its annual quota for tax collection 1 month ahead of schedule. The main reason for the increase in taxes this year is the continuous and steady development of the national economy. By the end of November, collective enterprises had paid to the state income tax of 80 million yuan, 32.6 percent more than in the same period last year. [Summary] [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 12 Dec 86 HK] /9599

CSO: 4006/311

## INDUSTRY

### BRIEFS

SHANDONG COAL-WASHING PLANT--A coal-washing plant with a annual capacity of 1.2 million tons went into operation today in Shandong Province. A key project for China's coal industry, the plant under the Xinwen Coal Administration was built in 33 months and is equipped with Chinese-made facilities. [Text] [Beijing XINHUA in English 1439 GMT 25 Jan 87 OW] /9274

DECISION TO MODERNIZE TEXTILE MACHINERY--Tianjin, 15 Jan (XINHUA)--China will modernize its textile machinery to pave the way for revitalizing the industry, according to a national meeting which closed here today. The meeting called on textile machinery manufacturers to go in for extensive coordination among regions and make full use of the processing and technology advantages of the military, machine-building and electronics industries. The meeting said that the country's major textile machinery is expected to reach the 1970-80 level of the same products made in advanced countries by the end of 1990. It urged enterprises to pay attention to upgrading badly-needed equipment for the textile industry within two to three years, and develop new equipment on the basis of self-reliance and hard work, combining key projects with imported technology and co-production. The meeting was told that the state economic commission would set up a national leading group to revitalize the textile machinery industry. [Text] [Beijing XINHUA in English 1554 GMT 15 Jan 87 OW] /9274

CSO: 4020/95



## SMALL-SCALE ENTERPRISES

### MANAGEMENT OF TOWNSHIP ENTERPRISES PROBED

HK300345 Beijing JINGJI GUANLI in Chinese No 11, 5 Nov 86 pp 63-65

[Article by Zhao Weimin (6392 3634 3046): "A Preliminary Probe Into the Management of County-Level Township Enterprises"--edited by Lin Daojun (2651 6670 0689)]

[Text] In recent years, our county enterprises have achieved rather rapid development and have become an important supporting pillar in the rural economy. Hence, in the all-round reform of the economic structure, a topic that urgently demands attention is how the department in charge of township enterprises should suit the situation's demands in development and set up a corresponding management structure to give active support to township enterprises, provide them with rational planning and correct guidance and strengthen management over them so that they develop stably, healthily and in a sustained manner.

At present, the management structure of our country's township enterprises has not yet been put in good order. The forms of the organs are not all alike. In the majority of the counties, the organs in charge of the township enterprises belong to the "systematic type"; some of the organs are subordinate to the planning or economic commissions, being under the control of the respective industrial departments according to the category of the products. This non-uniformity in organizational form deters the whole structure from functioning properly.

#### Mode of County-Level Management Structures of Township Enterprises

The issuance in 1984 of documents 1 and 4 of the CPC Central Committee has definitely pointed out the direction in which the management structure form over township enterprises at various levels should take. The formation of the county-level township enterprises bureaus is a concrete illustration of this form. Since township enterprises have broken through the narrow scope of the handicraft industry and sideline production, originally run by the production brigades and production teams of the people's communes, and become an economic structure which is the combination of various forms of economic constituents of various industries and trade and at many levels, including the primary, secondary, and tertiary industries, the township enterprises bureau, in its capacity as the department in charge of this comprehensive industrial set-up,

has met completely the objective demands of the development of rural commodity production. It is natural that in conforming with the spirit of the CPC Central Committee in augmenting the overall economic departments, reforms will be carried out in the management structure forms of the "proxy" and "multi-manager" types which are not suited to the development of the productive forces.

The formation of each and every economic management structure should comprise the various basic components of the structure of the ownership system, economic policies, economic regulation system, economic interests system, and economic organization structure. The enforcement of a comprehensive-type management mode which incorporates the features of many industrial systems, under a unified leadership and which is subject to separate the guidance of relevant departments conforms with the present conditions of the township enterprises. The main features of such a mode are as follows: First, it fully reflects the dual economic subordinate nature of township enterprises and is conducive to the conversion of a natural economy into a commodity production and exchange economy. Second, it conforms with the basic principles of macroeconomically doing a good job in management and microeconomically opening up and invigorating. Third, it effects a link between various kinds of measures such as economic, administrative and legal measures, guides economic activities and realizes planned targets principally through the enforcement of economic policies and the use of economic measures. This new mode of the management structure not only is a departure from the traditional management structure mode for handicraft workshops but is also basically free from the bonds of the management structure mode of the agricultural economy.

Township enterprises are at different levels in development, they are located in different places and the basic frameworks of their forms are not exactly alike. Hence, we must refrain from applying one method to all but should instead take into consideration realities in different localities and gradually accomplish the targets of "systematic control and comprehensive services." The composition of the mode should be systematic, stable and functional. The framework composition of this type of mode is as follows: 1) It must have an administrative command structure. Township enterprises bureaus are set up in the counties while below the counties township industrial companies are set up. Both of them perform the functions of governments at the same levels in exercising control and management of the township enterprises, and carry out the large volumes of work assigned from the upper levels. 2) It must have a business command structure. County bureaus and townships and towns should set up supply and marketing trade centers, cadres training centers, science and technology developing centers, and information and enquiries centers. 3) It must have an industrial and trade management structure and set up jointly-run companies of the different industries and trades and industrial or trade federations. They have no subordinate relationship to the enterprises but principally resort to using various market mechanism measures in carrying out their necessary functions of inspection, guidance, regulation, pre-production and post-production services. They organize and compile long-term plans for the industry or trade concerned,

study and formulate the development of products, and link the processes of production, supply, marketing, and operations. And they guide the promotion of new arts and crafts and new technologies, so that they show their connecting role between the governments and enterprises, between the township enterprises system and other departments, and between the contemporaries of the same industry or trade. They are also the enterprises' counselors and at the same time government assistants in carrying out the management and control of the industries and trades. The various jointly-run companies may become organs of an enterprise nature whereas the industrial or trade federations may become organs of a civilian nature.

#### Functions of County-Level Management Organs of Township Enterprises

The county-level township enterprises management organ is an administrative functioning organ of the county-level people's government to carry out leadership and control of the township enterprises in the locality. The determination of its functions must, on the one hand, comply with the principal functions of government organs' control of the economy amplified in the CPC Central Committee's decision to reform the economic structure, and, on the other hand, take into consideration the reality of the township enterprises possessing the dual nature of being subordinate to both the agricultural economy and the industrial economy. They must also take into consideration the special economic features of "diversified industrial patterns," and must function in two ways, in an administrative nature and economic nature. Regarding the administrative functions, they are the so-called administrative tactics of a political and authoritative nature. Their purpose is to emphasize vertical relationships, namely, according to administratively demarcated regions, the administrative system, administrative subordinate relationships. They must execute tasks following commands and directives from the upper to lower levels. County-level township enterprises management organs should, under the direct leadership of the local party committees and governments and under the guidance of upper-level departments in charge of township enterprises, serve as assistants and counselors and perform their work and functions through the township and towns. They should organize and supervise the grass-roots enterprises to enforce the directives of the party committees and governments on the development of township enterprises, abide by the laws and statutes, and carry out the relevant regulations, systems, and rules. They should study and make recommendations on problems relating to guidelines and policies on the development of township enterprises. They should compile the overall development plans and yearly plans for the township enterprises of their localities. They should examine and study the feasibility of programs of newly established enterprises. They should direct all readjustment and reorganization at the grass-roots enterprises and guide the development and direction of the township enterprises. And they should formulate the systems and methods of management and enforce the various kinds of management and control over the township enterprises. As to economic functions, they should enforce macroeconomic control; namely, the so-called use of economic measures or economic levers to manage the economy, in order to solve the management problem of township enterprises based on the objective economic laws. They take the inner relationships of the economy and economic

interests as the principles and rely on economic measures to coordinate the economic activities. They call for breaking through the demarcation of administrative regions, administrative systems and administrative subordinate relationships to organize economic activities and stress lateral relations. In being like enterprises, county-level township enterprises management organs should be based on the demands of socialization, and the integration of specialization and city-countryside economic coordination development, to guide township enterprises' activities in production, operations, and scientific research activities; to organize the education of cadres and training of workers and staff members; to coordinate the relations between the township enterprises and the relevant departments and other enterprises and to organize, among the enterprises, economic and technological interaction and cooperation, filling each other's equipment needs and specialized production; to guide the township enterprises' technological progress, creation of better products, development of new products and enlargement of their new production areas; and, in the interest of the grass-roots-level and township enterprises, to strengthen and provide the necessary service tactics and regulation tactics, smooth out the channels of supply, production and marketing, provide economic, technological and market information, and, in short, in a thousand ways and means, render effective care and support to the township enterprises. Due to the different nature of the two kinds of functions, we should never use the same measure to solve the different conflicts arising in the course of the development of the township enterprises. If we simply employ administrative functions to take the place of economic functions, then outwardly the economic functions may appear to have been strengthened but in reality they have been weakened. Conversely, if simply economic functions are used to replace administrative functions, the result will be loss of control and derailment from the track of macroeconomic control. The two should be coordinated vertically and laterally, supplementing each other. Only by so doing can the stable, sustained and healthy development of the township enterprises be ensured.

#### Relations Between Control Departments of County-Level Township Enterprises and the Relevant Departments

As the national agricultural work conference has pointed out, departments in charge of controlling township enterprises are the comprehensive industrial management departments representing the governments at various levels in the leadership and control of the township enterprises. They should have their own functions, powers, and responsibilities. County-level control organs of township enterprises should be no exception. This spirit clarifies the overall principle for the correct handling of the relationships of the township enterprises control departments with the agricultural work departments, the government's various work departments, other industrial departments and the relevant economic departments. Summing up the relationships between these various sides, it may be described as "uniting and integrating the divisions and coordinating the services." Concretely speaking, all township enterprises should come under the control and leadership of township enterprises control departments, and, regarding certain problems related to the situation as a whole or to the industries and

trades, they should be under the leadership respectively of the relevant overall departments and relevant specialized economic departments. The state's major and important guidelines and policies on the township enterprises should be organized and enforced by the departments in charge of the township enterprises which should also be responsible to the party committee and government at the same level. The state's directives relative to the control of the industries and trades should be forwarded to the enterprises for observance and implementation by the overall departments and specialized economic departments via the departments in charge of the township enterprises. By insisting on uniting and integrating the divisions and coordinating the services they must handle well the relations in the following directions:

1. Regarding the relations with the party committee's agricultural work departments. Whatever problems arise relating to the major and important guidelines and policies on rural cooperative economy, readjustment of the industrial structure, the unified planning and arrangement of labor power, the handling of the relationships between the four parties--i.e., the state, the rural villages, the enterprises and the workers and staff members, as well as the problem of "industry subsidizing agriculture"--they should all be subjected to the guidance of the party committee's rural work department whose wishes should be duly respected. The latter, though in charge of the overall planning and management of rural work, should not assert direct control over the township enterprises, and far less convert the department in charge of the township enterprises into its subordinate, so as to avoid losing the balance and the appearance anew of the phenomenon of the "non-separation between the party and government" and "the party taking the place of the government."

2. Regarding the relationships with the planning commission and the economic commission. Both of these are overall economic departments. But the nature of their structures is different from each other and their functions are also different. Neither side should replace the other and there should not be a management structure of a "mixed type." Whatever affairs related to the compilation of economic and social development plans and annual plans, or the coordinated development of urban and rural industries, or the formation of major and important economic and technological policies, or the arrangements for important projects, or the overall distribution of township industries, or the use of local foreign exchange holdings and retained foreign exchange earnings, should all be subjected to the guidance of the planning commission and the economic commission. For their part, the planning commission, economic commission and other overall economic organs should be in constant touch with the problems relating to the work of the relevant township enterprises and listen to the views of the departments in charge of the township enterprises. Documents that should be jointly forwarded to the lower levels should be forwarded.

3. The relationships with the departments in charge of the various industries or other trades should be extremely intimate, cooperative and brotherly ones. For the sake of strengthening industrial and trade guidance for township enterprises, the various industrial supervisory departments should have inside

knowledge on functional personnel and their divisions of labor. They should coordinate and cooperate well with the departments in charge of the township enterprises with respect to such phases of work as the examination and approval of enterprises, formulation of industrial and trade development plans, fixing and determining new products, evaluating superior-quality products, issuing products permission certificates, training specialized and technical personnel, exercising control over, and specifying the requirements for, the daily production techniques of the industries and trades, and so forth. They should promptly furnish market news and commercial news, help in solving difficult problems and generally invigorate the activities of the industries and trades. The township enterprises bureau should suitably subsidize the necessary expenses for the activities. Earnest efforts should be made to convert the management system of carving out separate spheres of influence for the departments and regions into an economic management system which functions like a network of criss-crossed vertical and lateral relations embodying the integration of the departments and regions.

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CSO: 4006/311

## SMALL-SCALE ENTERPRISES

### BRIEFS

JILIN TOWNSHIP ENTERPRISES--Township enterprises of Jilin Province achieved a historical breakthrough in 1986. Their total output value reached 5.1 billion yuan; profits, 530 million yuan; and taxes turned over to the state, 200 million yuan, creating a best record in economic results. [Excerpts] [Changchun Jilin Provincial Service in Mandarin 2200 GMT 8 Jan 87 SK] /9599

LIAONING RURAL SOCIAL OUTPUT VALUE--In 1986 Liaoning Province realized 30 billion yuan in its total rural social output value, a 5 billion yuan and 20 percent increase over the 1985 figure. [Excerpt] [Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 9 Jan 87 SK] /9599

LIAONING TAX REVENUE ACHIEVEMENTS--Liaoning Province has overfulfilled its 1986 tax revenue plan. Its total tax revenue volume surpassed that of 1985 by 4.5 percent and reached more than 625 million yuan. [Excerpt] [Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 13 Jan 87 SK] /9599

LIAONING SMALL POWER STATIONS--In 1986 Liaoning Province made marked progress in building small hydroelectric power stations. Their annual power output reached 204 million kWh, a 29.7 percent increase over the 1985 figure. [Excerpt] [Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 13 Jan 87 SK] /9599

CSO: 4006/311

## AGRICULTURE

### YANG ZHENHUAI STRESSES WATER CONSERVANCY PROJECTS

Beijing NONGCUN GONGZUO TONGXUN [RURAL WORK NEWSLETTER] in Chinese No 11,  
5 Nov 86 pp 8-9

[Article by Vice Minister Yang Zhenhuai [2799 2182 2037], Ministry of Water Resources and Electric Power: "Promote Capital Construction on Farmland, Focusing on Winter and Spring Water Conservancy Construction"]

[Text] In the past year China has made notable achievements in winter and spring water conservancy construction. This has been the best of recent years, both in terms of the scale of construction and the quantity and quality of projects. According to statistics, water conservancy construction last winter and this spring involved a nationwide labor input of 39 million workers, and 1.9 billion cubic meters of earth and stone construction was completed. This corresponds to more than half the total completed during 4 years of the Sixth 5-Year Plan. In addition, we improved or restored 12 million mu of irrigated area and transformed 3 million mu of easily waterlogged land. This demonstrates that so long as we vigorously promote winter and spring construction on water conservancy works, we can rapidly achieve practical results.

In 1986 22 provinces, municipalities, and autonomous regions suffered drought to one degree or another, some of them severely, and drought is still affecting an area of 140 million mu. We must have a foothold to withstand major droughts and floods; we can no longer trust to luck or rely on past gains. Moreover, from a national perspective, rural water conservancy projects are facing a crisis because they are aging, falling into disrepair, and providing attenuated benefits, and northern water resources are growing shorter. Therefore, whether it is to wrest an overall bumper agricultural harvest in 1987 or to mount a new effort to strengthen reserves, we must make the best use of the winter and spring opportunity to plan and organize rural water conservancy projects. We must try hard to improve our capacity to withstand floods, droughts, waterlogging, and tides and we must improve basic material conditions for agriculture. In the spirit of the joint communique issued by the CPC Central Committee Rural Policy Research Center and the Ministry of Water Resources and Electric Power, we must concentrate on the following tasks in the winter of 1986 and spring of 1987:



I. We must enhance leadership and uphold reforms. At the Forum on Rural Water Conservancy Work, Director Du Runsheng [2629 3387 3932] relayed Premier Zhao Ziyang's words: We must undertake water conservancy work, but we must change the way we do it. Many years of practical experience verify that water conservancy is the lifeblood of agriculture, and it is also the fundamental facility and public utility for socioeconomic development. If grain production is to climb to two new benchmarks--900 billion jin and 1 trillion jin--by the end of this century, we must add new material and technological inputs to agriculture, ensure continued agricultural reserves, and consolidate and develop water conservancy works in the countryside. All levels of leadership must make rural water conservancy work the major order of the day at every stage of government. The central problem in water conservancy reform is that we must change track to strive for economic benefits. We do not want to undertake any projects that bring few or no returns. We must work conscientiously to change past methods that were unconcerned with benefits, and we must guard against formalism. Through reform and continued perfection of the rural water conservancy management responsibility system, we must conscientiously set up water conservancy works to be jointly managed by the masses and the collectives. The leadership must devote its efforts to mobilizing the masses, relying on the masses, and organizing the masses to run water conservancy facilities. We must conscientiously apply the principle of mutual aid and benefit and the principle of reasonable responsibility.

II. We must encourage peasants to increase agricultural inputs, and we must establish a sound labor accumulation system. Premier Zhao pointed out that we must work hard to improve agricultural production conditions and "encourage peasants to rely on their own strength, accumulate capital and labor, and undertake the necessary agricultural capital construction suited to local conditions." Construction of small-scale water conservancy works is an essential component of agricultural capital construction. We must insist on the principle of regarding primary self-reliance and supplementary state assistance. State investments should primarily be used to bring major rivers under control and to build medium and large water conservancy projects that will have a major effect on agricultural development, but for which peasants lack the financial resources. Small rural water conservancy projects must rely on many sources for fundraising, and peasants should be encouraged to unite and cooperate to build them. China has an abundance of rural labor resources, and using labor accumulation to constantly improve and safeguard basic agricultural facilities is a good way of mobilizing and organizing peasants to increase agricultural inputs. The Forum on Rural Water Conservancy Work, held in June 1986, requested that each able-bodied worker in the countryside generally put in 10 to 20 man-hours of labor per year on rural water conservancy works. If we are to carry out this request, we must begin first with construction on water conservancy projects this winter and next spring, gradually to build up a system and establish management methods to be perpetuated. The principles here are to do what we are capable of, take on reasonable responsibilities, and strive for economic benefits. As for projects that benefit society by preventing floods, eliminating waterlogging, providing drainage, and improving the ecological environment, city and town residents and township and town enterprise workers in the areas that benefit should share the responsibility.

III. In determining the main direction for water conservancy project construction in any particular region, we must adopt measures suited to local circumstances. From a national perspective, the foundation for water conservancy differs from place to place, and natural and water resource conditions also vary. Each prefecture, county, and township has its own specific circumstances and conditions. Consequently, we absolutely must proceed from actual conditions and adopt measures to suit local circumstances in determining the main direction of attack in a particular region: we must avoid "arbitrary uniformity." Most regions feel that we should act in accordance with the stricture to "consolidate reform and develop as appropriate": the focus of our efforts should be on restoring and maintaining existing water conservancy projects and facilities, clearing sludge and obstructions from riverbeds, rebuilding dykes, coordinating and transforming irrigation facilities, and strengthening reservoirs and eliminating their dangerous sections. This year, in regions where the drought has been severe, we should focus on restoring and maintaining water conservancy projects. Where water resources are in short supply we should concentrate on establishing water resource organizations to be responsible for central planning and management of water resources and to formulate policies for saving water. At the same time, we must work energetically to build water resource projects, repair existing electromechanical wells and pumping stations, and popularize irrigation ditches to prevent seepage, conduits to transport water, and water-saving irrigation methods. We need to establish new water conservancy project regions, make plans and designs, and develop steadily, primarily through small projects. We must continue to promote small rural hydroelectric plants. In regions that have experienced severe water and soil erosion we must emphasize water and soil conservation and small river basin management. In impoverished regions we must give priority to arranging drinking water facilities for people and livestock.

IV. We hope that all departments will make concerted efforts, provide active support, and work together carefully to accomplish rural water conservancy work during the winter and spring. First we must successfully raise funds and supply goods and materials. The central authorities are asking that funding be rapidly restored to the level undertaken by public finances in 1980. The principle behind this should be that shortfalls must be made up at the level in which they occur; it is not permitted to use water conservancy funds for other purposes. Special funds issued by the Ministry of Finance, the Ministry of Agriculture, Animal Husbandry, and Fishery, and the Ministry of Water Resources and Electric Power specifically to develop grain production must actually be used in all localities for basic construction to develop grain production. In addition, funding arranged this year to build agricultural export bases, aid impoverished regions, and provide agricultural credit, as well as some sums raised by the people, amount to quite a lot. We hope that each locale will conduct overall planning, enhance management, improve management methods, and take care to improve results from funds used. We appeal to government and auditing departments at every level to intensify inspections and supervision of all rural water conservancy funds and punish misappropriations. In view of the effective pre-appropriation funding system we used in the past for winter construction on water conservancy works, water conservancy funds should be appropriated in advance to avoid missing the opportunity for winter and spring construction. Simultaneously, we hope that

material, commercial, supply and marketing, and fuel departments will work according to the materials supply system to supply steel products, lumber, cement, explosives, diesel fuel, and construction machines and tools promptly. In short, we must make satisfactory preparations rather than starting to work hastily. We must relentlessly pursue quality and emphasize that quality comes first; we must enhance technical guidance and work according to capital construction procedures; and we must make inspections, check projects before acceptance, and institute rewards and punishments. Each water construction project or facility must establish a management responsibility system and strengthen rural water conservancy management organization. In particular we must focus on construction organized through mass democratic water conservancy management below the village and main canal level. We must seize advantageous opportunities to irrigate in the autumn and winter and to store water and preserve moisture in the soil. We must use every means at our disposal to store water in reservoirs and dams, manage and utilize water well, and plan for water usage. In short, we must insist on scientific and serious methods, and every task must be accomplished meticulously. We must carry out our tasks resolutely, inspect the work regularly, and pursue substantial results at all costs.

During the water conservancy construction period this fall and next spring, provincial, prefectural, and county water conservancy departments must organize their forces promptly, go down to the grass-roots level, and enhance leadership. They must handle both extremes and carry the middle forward, and they must strive to do a solid job of water conservancy construction this winter and next spring. Furthermore, they must make good material preparations to increase agricultural output, prevent major droughts, and forestall major waterlogging in 1987. Right now the situation is very good and the CPC Central Committee and the State Council are devoting a great deal of attention to agriculture. We must be determined, go all out, and uphold reforms to accomplish rural water conservancy tasks this winter and next spring. If we do a good job on water conservancy work this winter and next spring, we will make a good start on water conservancy construction for the period of the Seventh 5-Year Plan, add to reserves for future agricultural development, and make a new contribution to the four modernizations and to Chinese rural development!

12510

CSO: 4006/191

## AGRICULTURE

### WATER CONSERVATION PROJECTS SHOW GOOD RESULTS

OW230310 Beijing XINHUA in English 0103 GMT 23 Jan 87

[Text] Beijing, 23 Jan (XINHUA)--Good results have been made in water conservancy construction this winter, an official of the ministry of water resources and electric power said today.

By the end of last year, peasants throughout China had improved or added irrigation facilities on more than 1.5 million hectares of arable land and dug drainage systems on another 677,000 hectares.

Meanwhile, the problem of supplying drinking water for three million people has been solved, the official said.

As a result of incentive schemes, over 50 million peasants turned out to work at water conservancy sites during the peak time, and more than one billion work days were devoted to these efforts in 20 provinces, municipalities and autonomous regions.

Both the state and localities increased investments in these projects this year.

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CSO: 4020/92

## AGRICULTURE

### PHOSPHATE FERTILIZER SHORTAGE ANALYZED

Hangzhou ZHEJIANG RIBAO in Chinese 21 Nov 86 p 2

[Article by Wen Xing [2429 2502] under the rubric "Economic Adviser": "There Is a Shortage of Phosphate Fertilizer; Everyone Must Be Aware That This Will Be Temporarily Difficult To Alleviate, So We Must Accumulate More Farmyard Manure"]

[Text] The Economic Services column of ZHEJIANG RIBAO has recently received letters from various places reporting that the planting season is just about here and farmers are very worried because they have not been able to buy phosphate fertilizer. Some farmers have gone so far as to brave the rain and drive to gates of the chemical fertilizer plants to wait in long lines and buy the fertilizer sack by sack as it is produced. For this reason, I paid visits to the departments concerned at the Zhejiang Petrochemical Corporation and the Zhejiang Agricultural Resources Corporation.

It is reported that Zhejiang uses phosphate fertilizer primarily on winter crops, at which time the fertilizer used accounts for about half of the annual supply of phosphate fertilizer. Comparing supply sources with demand shows that this year there will be a shortfall of nearly one-third: phosphate fertilizer supplies will fall short of demand in every locale. There are three reasons for this shortage: First, farmers have begun to focus their attentions on grain farming and are willing to invest capital in the land, so the demand for phosphate fertilizer has increased. Second, in the past few years small phosphate fertilizer plants have rushed headlong into operation in townships and towns, producing large quantities of poor-quality fertilizer, and we have also been assaulted with fertilizer imports. This has resulted in a glut. This year some chemical fertilizer plants reduced phosphate fertilizer output. Third, raw materials for phosphate fertilizer production in Zhejiang are largely imported from other provinces, and this places major limits on phosphate fertilizer production.

The shortage in phosphate fertilizer supplies is being monitored by the departments concerned, and the Petrochemical Department has now issued a plan to increase phosphate fertilizer production in Zhejiang by 33,300 tons. The departments concerned are in the process of sending personnel to other provinces to discuss transfers of phosphate fertilizers and raw materials such as phosphate ores and phosphoric acid. However, this year's shortage of

phosphate fertilizer cannot be turned around in a short period of time. We hope that everyone will take care to accumulate river silt, pig manure, miscellaneous urban wastes, assorted island fishing wastes, and other farmyard organic fertilizers to make up for the shortage of chemical fertilizer. Chemical fertilizer plants must straighten out the relationships between primary occupations and sideline occupations, bring financial difficulties under control, actively increase phosphate fertilizer production, and vigorously support agriculture. The commercial sector must actively organize the supply of goods, strengthen its relationship with the industrial sector, act in close coordination, and assist with winter plowing and production in the countryside.

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CSO: 4006/176

## AGRICULTURE

### AGRICULTURE, OTHER EXPORT BASES PROGRESS NOTED

OW201850 Beijing XINHUA in English 1451 GMT 20 Jan 87

[Text] Beijing, 20 Jan (XINHUA)--State and local investment for construction of agriculture and side-line products export bases amounted to U.S. \$600 million in foreign currency last year.

An official from the ministry of agriculture, animal husbandry and fisheries said, "construction of these bases was started last year, and they now offer over 40 products including soybeans, corn, peanuts, prawns, and tea."

Exploration of production areas for staple foods and speciality items, agricultural scientific research, enterprise upgrading, completion of facilities to introduce better strains, scientific research inspection and major processing equipment have been systematically introduced.

The official said, "state grants and loans allocated for the bases during the Seventh Five-Year Plan (1986-90) total 1.5 billion yuan in renminbi (U.S. \$405 million) and U.S. \$100 million in foreign currency. China exports of agriculture and side-line products are expected to reach U.S. \$7.5 billion by 1990. [no end quotes as published]

The first phase includes over 300 bases forming a system for export production of agriculture and side-line products. They are scattered over 25 provinces, municipalities and autonomous regions including Heilongjiang, Shandong, Jiangsu, Guangxi, Sichuan, and Shaanxi.

These areas have good natural conditions and improved crop varieties, and transportation and processing have shown good initial results.

Construction of the bases has broken through regional, departmental and professional boundaries, and scientific research, production, processing, storage, transportation and sales form a complete system which will directly provide foreign markets with an ample supply of varied, high-quality products at lower prices.

The official added, these bases will introduce advanced technology, equipment and experience from abroad to become China's model in agricultural modernization.

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CSO: 4020/92

## AGRICULTURE

### MORE INTERNATIONAL FISHING COOPERATION PLANNED

OW122106 Beijing XINHUA in English 0841 GMT 12 Jan 87

[Text] Beijing, 12 Jan (XINHUA)--China's output from its deep-sea fishing industry has reached 33,000 tons in the past two years, according to an official here today.

The official from the Ministry of Agriculture, Animal Husbandry and Fisheries said that China is active in developing international fishing cooperation and has set up fishing cooperation items with 11 countries and regions.

Two fishing fleets from the United Aquatic Corporation of China have fished for porgy, inkfish, sole, flatfish, cod and other varieties in areas off West Africa, the North Pacific and Alaska. They also process the products and provide technical services.

The fishing fleets of coastal cities such as Shanghai, Dalian, Yantai and Zhanjiang have begun deep-sea fishing off east and west Africa, and western Asia.

He said that China started its international fishing cooperation in 1985, mainly by way of joint ventures and sole investment. Many of the products have been on sale in Beijing, Shanghai, Dailian and other places in China in addition to sales to Europe, Japan and Southeast Asia.

The official pointed out that from now on China will consolidate its production capacity in international cooperation and further improve techniques. Meanwhile, it will begin cooperation with countries in the South Pacific and South American areas.

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CSO: 4020/92



## AGRICULTURE

### MINISTRIES PLAN JOINT EFFORT TO AID POOR PEASANTS

OW241114 Beijing XINHUA in English 0637 GMT 24 Jan 87

[Text] Beijing, 24 Jan (XINHUA)--Forty Chinese ministries will join hands in an endeavor to lift China's 100 million low-income peasants out of poverty by 2000, according to proceedings of a meeting of their representatives available to XINHUA today.

These people live mainly in remote, mountainous and border areas and areas inhabited by minority ethnic groups. Earlier news reports indicate that at least 40 million of them still have difficulties in making ends meet.

Since 1981, the government has issued funds and materials of 400 million yuan (U.S. \$108 million) to assist people below the official poverty line--those with a per capita annual income of no more than 200 yuan (U.S. \$54).

Meanwhile, central and local authorities have adopted some preferential policies for poverty-stricken areas, including tax exemption and reduction.

The country now hopes that by 1990, the overwhelming majority of these people will have become able to earn enough to feed and clothe themselves.

Speaking at the conference held yesterday, state councilor Song Ping described the task of helping the low-income peasants as "an arduous task" which would take many years to complete.

Work should be done step by step to help the poverty-stricken areas stand up on their own feet economically by encouraging a market-oriented local economy, according to Song and other officials.

Chen Junsheng, the state council's secretary-general, called for including the work to assist the poor into national and local plans for social and economic development and development plans drawn by different ministries.

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CSO: 4020/92

## AGRICULTURE

### PEASANTS FIND SCIENTIFIC FARMING BRINGS RESULTS

OW232311 Beijing XINHUA in English 1924 GMT 23 Jan 87

[Text] Hohhot, January 23 (XINHUA)--When Guo Xuxu, a young peasant in Inner Mongolia applied the advice of agronomists and covered his watermelon plot with plastic sheets, his fellow villagers laughed at him.

"You're not hatching chickens, young man," they sneered, "so why are you covering your melon field so tightly?"

Later, Guo's neighbors stopped laughing when the plot produced a ten-fold increase, and soon they all joined him at a class in agricultural techniques.

Guo's story is only one example showing the growing enthusiasm for scientific farming techniques among the peasants of Liangcheng County in the Inner Mongolia Autonomous Region.

Liangcheng County, one of the poorest mountainous areas in China's northern frontier, began to popularize agro-techniques among its farmers four years ago, after land was redistributed to individuals through contracts.

The county decided to help the local farmers learn scientific methods, and sent over 400 agronomists to its agricultural areas to sign contracts to assist with scientific farming. If production decreased, the agronomist would pay for the losses, or would receive a commission if output went up.

The country government also trained over 14,000 local peasants in scientific methods of farming, forestry, animal husbandry and fisheries by offering full-time classes. These trainees spread their newly-acquired knowledge to 90 percent of the county's farmers.

The county's efforts to promote scientific farming paid off in 1986 when the average annual per capita income tripled the 1982 figure.

The county, which used to receive more than 50,000 tons of grain and one million yuan (270,000 U.S. dollars) as subsidies from the state annually, instead sold 15,000 tons of grain to the state in 1986. At the same time,

personal savings deposits in local banks reached 24 million yuan (6.5 million U.S. dollars), an increase of 85 percent over 1982.

With their new expertise in scientific farming, peasants now pay more attention to their children's education. In the past two years local peasants have spent more than two million yuan (540,000 U.S. dollars) renovating and building classrooms. Now 99 percent of the country's school-age children attend school.

What has happened in Liangcheng County is only part of China's efforts to promote agricultural production through popularizing scientific techniques. Agro-technique promotion centers have now been set up in 700 counties, accounting for one-third of the total number of counties in the country.

The Ministry of Agriculture, Animal Husbandry and Fisheries has popularized 244 new techniques in the field in the past three years, resulting in income increases of 9.84 billion yuan (2.7 billion U.S. dollars).

Improved crop breeding and planting techniques have boasted an additional 100 million tons of grain over the past five years, and increases in the cotton harvest amounted to more than two million tons. An extra 170,000 tons of vegetables were available on the market because of developments in the control of insects and plant diseases.

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CSO: 4020/100

## AGRICULTURE

### PRODUCTION SOCIETIES HELPING PEASANTS PROSPER

OW2111145 Beijing XINHUA in English 1105 GMT 21 Jan 87

[Text] Shenyang, January 21 (XINHUA)--Peasants in northeast China's Liaoning Province have found a new way to help their neighbors prosper by organizing themselves into societies to tackle production problems and exchange information on the market and techniques.

The groups have developed on the basis of households designated by the province's peasant associations to demonstrate scientific farming to poor peasants which began in 1984.

Now over 2,150 such societies have been set up throughout the province, according to Zhao Huitian, vice-chairman of the provincial association for science and technology. They spread vegetable cultivation and poultry-raising techniques and provide production and marketing information for specialized households.

Li Shulin, a peasant in Shuizhong county in southern Liaoning used to have a hard time getting enough food and clothing for his eight-member family before 1984 though he worked long hours on his land.

However, since he joined a cooperative specialising in growing chives he has obtained an annual net profit of 3,000 yuan.

Li's village, with 212 households, has become famous for chives and the average per capita annual income amounts to 500 yuan.

Some societies have even extended their membership to other parts of the country. A rabbit-raising association in Tieling district near Shenyang, capital of the province, boasts a membership of 3,200 from all over the country.

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CSO: 4020/89

## AGRICULTURE

### LOESS PLATEAU CURBS EROSION, RAISES GRAIN OUTPUT

OW231322 Beijing XINHUA in English 1238 GMT 23 Jan 87

[Text] Yinchuan, January 23 (XINHUA)--Thanks to a soil erosion control program, 24 million tons of grain were produced on China's loess plateau in 1986.

"An average of 90 people, now enjoying 325 kilograms of grain per person annually, live on each square kilometer of the loess plateau, but previous surveys indicated an area this size could only support 20 or 30 people, because of the arid land," Liu Wanquan, chief engineer of a soil erosion control bureau for the middle reaches of the Yellow River, said.

Now 107,800 square kilometers, or 17 percent of the plateau, have been improved, which reduced silt in the Yellow River by 200 million tons, Liu said.

"At the end of 1986," Liu said, "10 million hectares of trees and seven million hectares of grass had been planted and 15 million hectares of terraced fields had been built on the plateau, resulting in ecological improvement."

The Loess plateau support 72.7 million people and covers 640,000 square kilometers in Shanxi, Shaanxi, Gansu, Qinghai and Henan provinces and the Inner Mongolia and Ningxia Hui Autonomous Regions.

In the past three years, China has stepped up its soil erosion control program on the plateau, with 10,000 square kilometers improved annually. Some arable land has been used to plant trees and grass and the construction of reservoirs, dams and terraced fields has been completed.

"Peasants have contracted 5,300 square kilometers of the plateau's wasteland for soil erosion improvement," Liu said, "and they will directly benefit from the project for a long time."

Advanced technology, including remote sensing, aerial surveying and aerial seeding, have also been introduced in the soil erosion control program, Liu added.

Thanks to the 30-year-old project, forest coverage in Jingbian County, Gansu Province, has increased to 41 percent from 0.5 percent and total grain output increased to 50,000 tons from 20,000 tons in the 1950s.

Xiji County in the Ningxia Hui Autonomous Region has planted 61,300 hectares of arable land with trees and grass between 1981 and 1986, Liu added.

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## AGRICULTURE

### AERIAL SEEDING HALTS SHIFTING SAND DUNES

OW221008 Beijing XINHUA in English 07111 GMT 22 Jan 87

[Text] Xian, January 22 (XINHUA)--Chinese scientists have succeeded in using aerial seeding of trees and grass to anchor shifting sand dunes, an achievement said to be a breakthrough in China's desert control endeavor.

By using the method, they have since 1974 greened sand dunes of 67,000 hectares in the Muus desert on the borders of Shaanxi Province and the Ningxia Hui and Inner Mongolia Autonomous Regions. The desert covers 3.2 million hectares.

The scientists, from a dozen research institutes in Beijing, Xian, capital of Shaanxi Province, and Yulin in northern Shaanxi, devised ways of protecting seeds and saplings sown on sand dunes, one scientist said.

These include coating seeds with mud, thus making them heavy enough not to be blown away, one scientist told XINHUA.

Of the 67,000 hectares of sand dunes greened, 48.5 percent are completely, and the rest partially, anchored. "This has set a precedent in China's history of desert control," one scientist said.

Aerial seeding is helping improve local ecological conditions, he said, adding that wind velocity in areas under a 35 percent green cover is reduced almost by half.

And three years after seeds are sown, plants will have grown old enough to provide local people with fodder grass, green manure and firewood.

Some of the green sand dunes are good pastures, each hectare able to support three sheep.

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## AGRICULTURE

### AQUATIC PRODUCTS IN 1986 REPORTED

OW240053 Beijing XINHUA in English 1840 GMT 23 Jan 87

[Text] Beijing, 23 Jan (XINHUA)--The total output of China's aquatic products reached eight million tons in 1986, over one million tons more than in 1985.

"1986 was a breakthrough year in China's aquatic production," said She Danu, deputy director of the Aquatic Products Bureau, at a press conference here today.

He said that 28 provinces, municipalities and autonomous regions fulfilled their production targets last year. Among them Guangdong, Zhejiang, Shandong, Liaoning and Jiangsu provinces increased their output by 10 percent over 1985.

He said that the output of the freshwater sector went up rapidly in 1986, overfulfilling the yearly target by 16.7 percent. These results are attributed to the enlargement of the freshwater breeding areas. Ponds were expanded by 510,000 hectares in 1986.

Breeding techniques were improved and the size of fingerlings increased last year, according to She. He said that the output of black scrapers, crabs, chub mackerel, scads, prawns, oysters, scallops, loaches and turtles increased remarkably.

She gave the credit to the reform and open policy. The job responsibility system was a stimulus to the enthusiasm of the fishermen, he said. In the meantime departments at all levels had boosted production by spreading new techniques.

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## AGRICULTURE

### KEYS TO DEVELOPING AQUATIC PRODUCTION OUTLINED

Hefei ANHUI RIBAO in Chinese 8 Nov 86 p 1

[Article by Zhang Yiyi [4545 6318 5030]: "The Key To Developing Aquatic Production in Anhui"]

[Text] As far as developing aquatic production is concerned, Anhui is blessed with exceptional advantages and vast potential. From a vertical perspective, we are making great progress, but from a horizontal perspective we are lagging far behind. Let me bring the following figures to your attention: There is a total of 15.8 million mu of water area in Anhui, which places us fifth nationwide, and our potential breeding water area totals 7.29 million mu, which places us second nationwide. However, total aquatic output in Anhui places us in 11th place nationwide, and we produce only half what is produced in Hubei, Hunan, and other provinces. In 1986 pond breeding produced an average unit yield of 82 kg per mu nationwide, yet Anhui produced only 27 kg per mu and was relegated to 20th place. There is only a little over 3 kg of aquatic products per capita in Anhui, which is to say that residents consume only 0.25 kg of fish per capita per month. Our low fish consumption level is at odds with our vast water area.

Opinions vary as to the causes of our backwardness. (Editor: Objectively speaking, there are no more than two causes: empirically, these are policy problems and technical problems. However, policy can be likened to sunlight and technology can be likened to air. Can sunlight and air show partiality to anyone? We must look for causes subjectively.) It should be pointed out that in guiding the work there are times when we are satisfied with creating a stir, and this is also a major reason for our lack of progress. There are some waterside places where the people to this day lament that they have no means to enrich themselves. Some of them still regard the aquatic industry as one of the "Old Five" (agriculture, forestry, animal husbandry, sidelines, and fishery). They rush about headlong and concentrate on a single time frame while they pass the time idly. This situation must be changed quickly. (Editor: This ideological style and working method, involving "great agitation when there is a focus and relaxation when there is none," appeared in the latter part of the 1950's. This philosophy of playing it safe to save one's own skin arose under a leftist atmosphere of criticism and has evolved today into a philosophy of pursuing expediency to protect bureaucracy. To put

it bluntly, both philosophies deny or abandon the sense of responsibility to the party and to the people.)

"Raising fish and growing bamboo will reward you a thousand-fold." Recently an official of the Anhui provincial party committee pointed out that we can begin to build up family fortunes through the "two shui's"---aquatic products and fruit. This strategic form seeks to adapt to actual circumstances and take a broad and long-term view. A favorable trend has already appeared, and it is projected that the gross yield of aquatic products in Anhui may reach 200,000 tons in 1986. Figured at the rate of 20 yuan per kg, this will produce 400 million yuan.

If we wish to make a profit from aquatic products, I think we must adopt five guarantees: 1) We must make a thorough and conscientious investigation of water usage. As soon as possible we must perfect contracts, particularly on water areas that have been contracted in name, but where usage rights have yet to be taken advantage of. We must take things one step at a time and actually make use of all unused water areas. 2) We must vigorously promote aquatic breeding. We must widely disseminate various forms of aquatic breeding in pools, lakes, rivers, paddy fields, and running mountain streams. We should concentrate on developing top quality types of fish, river crabs, pearls, soft-shelled turtles, eels, and other types of specialty aquatic products, and at the same time we should actively develop lotus roots, Gorgon fruits, water chestnuts, and other aquatic plants. 3) We must promote progress in aquatic technology. We should popularize net cages, purse seines, division of large water areas, intensive fish cultivation in connected pools, and other advanced fish breeding techniques. 4) We must accelerate construction of aquatic commodity bases. We should focus on the Taiping Hu Aquatic Breeding Base, the Anqing Multi-Purpose Aquatic Products Base, the Lu'an "Three Lakes, Five Reservoirs, and One Pond" Aquatic Breeding Base, the Eastern Anhui River Crab Breeding Base, the Bengbu Comprehensive Aquatic Products Processing Base, the Hefei Suburban Fresh Aquatic Products Base, and the Xuancheng Nanyi Hu Aquatic Breeding Base, and we should as quickly as possible establish four major fish markets---in Hefei, Bengbu, Wuhu, and Anqing---to further stimulate circulation. 5) We must provide satisfactory support services. We must promote a coordinated linkage of services to supply mixed feeds, provide improved varieties, and disseminate fishery technology. In sum, we must move step by step and guard against superficial efforts.

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CSO: 4006/176

## AGRICULTURE

### RURAL DRINKING WATER SUPPLIES SHOW IMPROVEMENT

HK270816 Beijing CHINA DAILY in English 27 Jan 87 p 1

[Article by staff reporter Guo Zhongshi]

[Text] More than half of China's 800 million rural population now have access to clean drinking water as a result of a nationwide campaign to improve rural supplies.

The beneficiaries of the five-year effort include more than 100 million rural residents who now have water on tap, while the rest have access to improved drinking water via motor-pumped wells or other water-filtering facilities, according to an official of the National Patriotic Health Campaign Committee.

China's rural water supply system has been plagued by poor hygienic conditions, posing health hazards to farmers who have to drink from often polluted or saline water from rivers, lakes, earth wells or even rain water has been found to have a high bacterial or chemical content.

Zheng Youde, project officer of the committee's Rural Water Supply Project Office, told CHINA DAILY that since 1981, more than 3.2 billion yuan (about \$900 million) had been spent on water supply projects nationwide, of which 70 percent was raised by local township enterprises and rural people themselves.

The projects also received \$80 million in loans from the World Bank and more than \$13 million from various international organizations, Zheng said. "These have helped to a great extent in accelerating the construction of the projects," he added.

Cui Yueli, minister of public health, said that the achievements made so far had helped reduce incidences of disease, relieve farmers from the drudgery of carrying water for miles, and promote a diversified rural economy.

In four years' time, the minister said, another 200 million rural residents are expected to have access to clean drinking water available and 80 percent of the country's total rural population will be able to drink clean and healthy water by the end of the century.

But, Zheng said: "We have to admit that the target is a challenging one and we face difficulties in funding, providing raw materials and using technology."

He said he was confident and optimistic despite these problems because the country's rural reforms had created better economic conditions to pay for water supply projects, while many farmers and local enterprises had taken part in the work and considerable experience had been accumulated over the past few years in coping with the task.

To solve the problem of fund shortages, he said, local financial departments would give necessary support while farmers and local township enterprises would be asked to raise funds for projects in their areas.

Different measures will be adopted in areas with different economic conditions and resources. In economically-developed areas, tap water facilities will be set up whereas in economically underdeveloped areas, pump wells, reservoirs and other facilities suitable to local conditions will be developed, Zheng said.

He added that the committee would organize training courses and provide on-the-spot guidance in rural areas so that highly qualified rural technician teams could be formed across the country in the shortest possible time.

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## AGRICULTURE

### EFFORTS TO INCREASE UNIT SOYBEAN OUTPUT URGED

Harbin HEILONGJIANG RIBAO in Chinese 1 Nov 86 p 1

[Article by HEILONGJIANG RIBAO staff commentator: "Work Hard to Improve Unit Soybean Output"]

[Text] The state decided in 1986 that Heilongjiang should establish a soybean exporting base during the Seventh 5-Year Plan and raise soybean exports in 1990 to double what they were in 1985. This is glorious but formidable task for Heilongjiang to face.

In order to accomplish the 1990 soybean export target, Heilongjiang must raise the gross soybean yield 35.6 percent in a 5 year period. To produce an increase of this scale, higher and lower levels alike must make a major effort, adopt certain breakthrough measures, and resolve many crucial problems.

The soil in Heilongjiang is fertile, we have an abundance of land, our farmers have long experience in producing soybeans, and our climatic and geographical conditions are well suited to soybean production. There are many methods that we can adopt to increase soybean production. For example, where soybeans account for a small proportion of cultivation, we can readjust the crop composition and make suitable increases in soybean growing area, and where wasteland is abundant and conditions permit, we can reclaim the wasteland for soybean cultivation. However, our primary efforts should be on improving the yield of soybeans per unit of area. Many places in Heilongjiang are still practicing extensive soybean cultivation, and some of them are unwilling to invest either labor or fertilizer. Surveys indicate that in some places the per-mu fertilizer application rate for soybean fields is equal to only one-fourth that for paddy fields. In 1985 the average per-mu soybean yield in Heilongjiang was less than 100 kg, whereas some locales harvested 300 kg per mu. In 1986 the per-mu soybean yield on 300,000 mu of key soybean fields in Bin County exceeded 160 kg. This demonstrates that there is great potential for unit soybean yield in Heilongjiang. If all localities take care to adopt measures focused on unit yield, thereby increasing soybean output to about 130 kg per mu provincewide, Heilongjiang will be able to produce 4 billion kg of soybeans on the existing soybean growing area.

Through several years of major scientific efforts, some production departments and scientific research departments have analyzed high-yield soybean production. They find that it involves primarily the following elements: there is seed selection and breeding to disseminate top-quality, high-yield soybean varieties; capital construction is carried out on farmland to improve disaster resistance capacity; fertilizer inputs are increased, efforts are made to mellow the tilth and aid fertility, and particular attention is devoted to expanding the area of surveyed soil and calculating fertilizer application formulas; farmer quality is improved, comprehensive techniques to increase yields are popularized, and a standardized program of soybean cultivation techniques is put into effect; and prevention and control of blight and insect damage is strengthened. Experience verifies that so long as we adhere rigorously to this pattern we can achieve high soybean yields. Everyone should emulate and promote this experience in high-yield soybean production and popularize it as suited to local conditions. Leading organizations and relevant departments at all levels should augment services and help to replenish chemical fertilizer stocks, accomplish technical training tasks, accelerate breeding of fine varieties, and start up soil survey work to ensure that these measures are put into practice. It is gratifying that the state has recently decided to set aside 700 million yuan during the Seventh 5-Year Plan to help Heilongjiang establish a soybean production base. The various soybean producing counties (or cities or farms) should conduct surveys and, on that basis, carry out planning, improve soybean production conditions, tackle high yields on a large scale, and reap the full benefits of their investments. So long as all areas are mobilized, within a certain time frame we can substantially improve unit soybean yields, increase exports, and bring in more foreign exchange.

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CSO: 4006/176

## AGRICULTURE

### 'GIGANTIC' PLANTING PLAN FOR YANTZE BANKS AGREED

OW071845 Beijing XINHUA in English 1430 GMT 7 Jan 87

[Text] Beijing, January 7 (XINHUA)--The Ministry of Forestry has agreed to a gigantic plan to plant trees along the middle and upper reaches of the Yangtze, the longest river in China, the SCIENCE AND TECHNOLOGY DAILY said today.

The program will help prevent soil erosion in Sichuan, Yunnan, Guizhou and other five provinces.

In Sichuan the forest coverage has dropped from 19 percent in the 1950s to 12.3 percent, while the area affected by soil erosion increased from 94,000 square kilometers to 380,000 square kilometers or 66.7 percent of the total land mass.

Every year, rains bring 600 million tons of soil from the province into Yangtze, the paper said.

At a recent meeting of the ministry, experts warned that if the situation continues, the sub-soil on many mountain slopes will be stripped away and navigation and electricity generation on the lower reaches would be endangered.

They said the river bed at the lower reaches rose 1.5 to two meters since 1954, with a section in Hubei rising above the surrounding area by 10 meters.

The ministry officials called for an end to indiscriminate tree felling and asked for the conversion of hill side farmland into forests.

The planned forests will extend into 234 counties and cities and some forestry experts of the ministry have already gone to the area to do preparation work for the afforestation.

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CSO: 4020/100

## AGRICULTURE

### NORTHEAST CHINA RECLAMATION DRIVE REAPS RESULTS

OW290901 Beijing XINHUA in English 0718 GMT 29 Jan 87

[Text] Harbin, January 29 (XINHUA)--A well-coordinated reclamation program in the northeast China plain carried out with the help of World Bank loans has achieved remarkable results, according to sources here.

Under the program, 200,000 hectares of land will eventually be reclaimed in the plain, called the Sanjiang (three-river) plain as it is drained by the Heilongjiang, Songhua and Wusuli rivers. The World Bank provided loans of 80 million U.S. dollars.

After three and a half years' implementation of the program starting in June 1983, about 147,000 hectares of land have been reclaimed, producing 310,000 tons of grain and soybeans.

It is expected that by the end of 1987, the reclaimed land can each year produce 375,000 tons of grain and soybeans, offering 250,000 to 300,000 tons of commodity grain.

Over the past three years, farm workers and staff have followed the construction order of "water conservancy projects and roads take priority." They have also built two large, modern farms in the plain.

In importing farm and other relevant machinery, international bidding has been introduced into the reclamation program. During the past three years and more, a total of 2,380 items of machinery, including tractors and combine harvesters, have been imported from the United States, the Federal Republic of Germany, Japan and other countries.

In addition, about 2,000 technicians of various specialties have been trained through special courses.

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CSO: 4020/89



## AGRICULTURE

### GROWTH IN BEIJING'S RURAL ECONOMY NOTED

OW291423 Beijing XINHUA in English 0859 GMT 29 Jan 87

[Text] Beijing, January 29 (XINHUA)--Last year's industrial and agricultural output value of Beijing's rural areas increased 9.5 percent over 1985, according to the "China Farm Machinery News" available today.

"Rural industries are growing rapidly in the ten counties under the jurisdiction of the Beijing municipal government," the paper said. Of their 8.7 billion yuan (2.4 billion U.S. dollars) total output value in 1986, 6.75 billion yuan (1.8 billion U.S. dollars) was industrial with the rest agricultural output.

Last year saw six counties turn out 2.2 million kilograms of vegetables, up 8.1 percent over the previous year, slaughter 12,000 head of cattle and 266,000 sheep, up 42 and 6.9 percent respectively, and catch 20.8 million kilograms of fish, up 30.8 percent over 1985.

"The living standard of peasants in the areas has increased along with production development," the paper noted, adding spending last year went up 22.9 percent over 1985, and spending for cultural and recreational activities increased 6.7 percent.

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CSO: 4020/89

## AGRICULTURE

### GUANGXI HOLDS AGRICULTURAL PRODUCTION CONFERENCE

HK080415 Nanning Guangxi Regional Service in Mandarin 1100 GMT 5 Dec 86

[Text] At a regional work conference on agriculture, animal husbandry, and fishery concluded yesterday, Regional Party Committee Deputy Secretary Tao Aiyong disclosed that in order to maintain continuous and overall agricultural development in the region, the regional party committee and government have decided to increase funds for agricultural administration, experimental promotion, agricultural training, and farmland capital construction fees next year. He also demanded that all prefectures, cities, and counties increase agricultural funds in their financial plans. The region has already used some \$10 million foreign exchange to import chemical fertilizer. With imported and homemade chemical fertilizer, the total chemical fertilizer used in agriculture by the region next year will increase by more than 200 percent over this year.

He also demanded that all localities strictly implement policies and allow and courage agricultural departments to carry out grassroots operations and services. This gave a satisfactory answer to the questions of general concern raised by attending comrades.

The conference held that the situation on the whole is good in the region's agriculture, animal husbandry and fishery this year. Leaders at all levels have further deepened their understanding of the basic role of agriculture and the tendency to neglect agriculture and relax grain production has been rectified to a certain extent. The region was repeatedly hit by natural disasters this year, but its grain output is about the same level as last year. Most economic crops have continued to develop and animal husbandry and fishery have largely increased.

Without agriculture, there will be instabilities; and without grain, there will be chaos. The conference held that the region still has serious problems in its grain production. Due to various reasons, the region's grain production failed to fulfill this year's plan and is stagnant. This has made a serious problem more serious. Therefore, the regional party committee and people's government decided that the region's total grain output next year must strive to reach or surpass 1984's figure. To attain this target, during the next

year the region must continue to implement reward policies on grain purchase by contracts which proved effective this year, so that the peasants can get more real benefits and become more enthusiastic about growing grain. The region's grain-growing area must be controlled at about 53 million mu. It is necessary to adopt a series of measures, such as promoting improved varieties, to increase per unit area yield. While firmly and properly grasping grain production, we must also continue to vigorously develop the diversified economy, such as forestry, animal husbandry and fishery, so as to accelerate the pace of rural commodity production.

Qin Yingji, chairman of the regional CPPC committee, and Cheng Kejie, vice chairman of the regional people's government, also attended the conference and made speeches.

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CSO: 4006/314

## AGRICULTURE

### GUIZHOU PEASANTS ABOVE POVERTY LEVEL

OW230402 Beijing XINHUA in English 0115 GMT 23 Jan 87

[Text] Guiyang, January 23 (XINHUA)--An additional 870,000 peasants in Guizhou province became able to make ends meet last year, or above the official poverty line, vice-governor Zhang Shukui said today.

They account for about ten percent of the poverty-stricken farmers in the province, who are of Miao, Bouyei, Dong, Yi, Sui and Gelao ethnic people living in 26 remote and mountainous countries, Zhang said.

In this under-developed southwest China province, a rural family is considered as below the poverty line if it earns no more than 200 yuan and 200 kg of grain annually for each of its members.

To boost their economy, the authorities allocated 133 million yuan for 446 industrial, agricultural, educational and public health projects in these counties, and supplied them with 33,880 tons of fertilizer.

State grain purchase quotas and taxes were also reduced for these countries, Zhang added.

Some 8,100 technicians went to the counties to offer technical consultancy. They helped train 750,000 peasants.

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CSO: 4020/89

AGRICULTURE

INDIVIDUALLY RUN FARMS PROFITABLE IN HEILONGJIANG

OW241336 Beijing XINHUA in English 0925 GMT 24 Jan 87

[Text] Beijing, 24 Jan (XINHUA)--Reclaimed farmland in northeast China's Heilongjiang Province saw most of its individually-run farms earn profits last year, the PEOPLE'S DAILY reported today.

"Last year, 80 percent of the 89,000 family-run farms earned profits totaling 250 million yuan (U.S. \$67.6 million), 145 million (U.S. \$39.2 million) more than 1985," the paper reported, "with 100 million yuan (U.S. \$2.7 million) turned in to the state," the paper said.

The area produced 2.9 million tons of grain last year, a 20 percent increase over 1985, the paper reported, adding as one of China's major grain-producing centers, the state-run reclamation area boasts 100 mechanized farms, cultivating 3.6 million hectares of land.

Beginning in 1985, regional authorities contracted land and farming machines to individuals, and in 1986, it further improved the system by allowing farmers to decide on their own management techniques, the paper reported.

Regional authorities have continued to solve farmers' problems and are popularizing farming technology in the area, the paper said.

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CSO: 4020/92

## AGRICULTURE

### HEILONGJIANG TO BECOME LEADING FARMING CENTER

OW261210 Beijing XINHUA in English 1135 GMT 26 Jan 87

[Text] Harbin, January 26 (XINHUA)--China plans to invest 975 million yuan from now to 1990 to boost Heilongjiang Province's grain and soybean export, deputy governor Wang Lianzheng said here today.

According to the plan, this northeast China province will produce 19 million tons of grain and two million tons of soybeans for export in 1990--some 15 percent and 100 percent, respectively, more than in 1986.

For every one yuan in investment, it is expected to deliver to the state 2.5 kg of more grain or eight kg of more soybeans for export by 1990.

With more arable land than any other provinces, Heilongjiang is expected to become a leading farming center of China's, Wang told XINHUA, adding that this will be of "strategic importance" to the effort to feed China's one billion residents.

The province has chosen state farms in 57 counties and cities to concentrate on growing grain and farms in 65 counties and cities to grow soybeans.

Since the 1950s, demobilized armymen and civilians have reclaimed 5.3 million hectares of wasteland in Heilongjiang, making the province's area of farmland increase by 50 percent.

Grain output rose from two million tons in 1949 to 16.5 million tons last year; and in 1986, it exported one million tons of soybeans, accounting for 80 percent of the country's total.

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CSO: 4020/89

## AGRICULTURE

### QINGHAI FARMERS GET CLEAN DRINKING WATER

OW221433 Beijing XINHUA in English 1243 GMT 22 Jan 87

[Text] Xining, January 22 (XINHUA)--Pure drinking water is now available for one million farmers and herdsmen in northwest China's Qinghai province, due to efforts by the local government over the past few years.

The province is located on the Qinghai-Tibetan plateau, where rainfall is scarce. Most of the people in mountainous areas used to dig pools to collect rainfall for drinking, and often the water became brackish.

Since 1984, the provincial government has allocated special funds of up to 70 million yuan (about 18.8 million U.S. dollars) to solve the problem. The province has installed pipelines totalling 4,710 kilometers, built 956 reservoirs and drilled 443 wells.

These facilities provide drinking water for one million people and more than five million head of livestock, representing 84.6 percent and 72.9 percent, respectively, of the total human and livestock populations.

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CSO: 4020/89

## AGRICULTURE

### QINGHAI PEASANTS RAISE LIVING STANDARD

OW231324 Beijing XINHUA in English 1254 GMT 23 Jan 87

[Text] Beijing, January 23 (XINHUA)--In the eastern areas of Qinghai province 50,000 peasants have improved their standard of living by offering labor services in western pastoral areas and the Qaidam basin.

In the western part of the province they build houses, barns, and improve drinking water facilities for local residents. Some are constructing highways, bridges, and houses in the Aqidam basin, where industry is flourishing, and others are mining gold in other areas.

Instead of limiting themselves to farming, these ambitious peasants have taken the opportunity to broaden their horizons and diversify production.

Among the 110,000 peasants living in the Minhe Hui autonomous county, 2,000 are engaged in transportation of goods, 1,000 in transporting beef, cattle and sheep, and some have opened small stores and restaurants in towns or along busy highways.

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## AGRICULTURE

### NINGBO EXPORT PRODUCTION BASES

OW221435 Beijing XINHUA in English 1253 GMT 22 Jan 87

[Text] Beijing, January 22 (XINHUA)--Ningbo's farmers have taken advantage of local natural resources to set up ten export production bases, today's overseas edition of the PEOPLE'S DAILY reported.

According to the report, these ten bases involve 133,000 hectares of land and water surface to farm or process 20 varieties of local produce. They earned 180 million yuan (48.6 million U.S. dollars) in foreign currency last year.

Shrimp, seaweed and other aquatic products are raised along the coast, and 270 hectares of asparagus has been sold abroad, the report said.

The farmers have planted seeds to grow straw, and have set up six mills turning out 480,000 straw mats last year, the report added.

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CSO: 4020/89

## AGRICULTURE

### RURAL ECONOMIC REFORMS BETTER SHANGHAI FISH SUPPLY

OW251759 Beijing XINHUA in English 1449 GMT 25 Jan 87

[Text] Shanghai, January 25 (XINHUA)--Each family in Shanghai consumed an average of 87.5 kg of fish last year, more than any of the previous years, city officials told XINHUA today.

The prices are down--nearly one-fifth lower in the present spring festival buying spree than a year ago, they said.

The spring festival, which for this year of the rabbit falls on January 29, is an occasion of family reunion and feasting according to tradition.

Moreover, the officials said, for the first time in many years this leading industrial and business city of China's is able to ensure to its six million urban residents an abundant supply of live fish.

In the past, often the local fish markets had only frozen fish to offer, they added.

In Waixianguai--one of the city's largest fish markets--this reporter counted more than 100 wooden buckets full of fresh water with carps, silver carps, grass carps and crucian carps bouncing in them. The street is about 100 meters long.

"The fish here are just one or two hours fresh from ponds in the outskirts," one vendor told the reporter.

Responsible for the improved fish supply is the new policy of encouraging a diversified, market-oriented rural economy, under which peasants on the outskirts of Shanghai increased their 1986 fish output to 62.5 million tons, the officials said.

Shanghai's rural sectors are now a major fish producer in China, the officials said, adding that shipments of fish from other parts of China are also allowed to pour into the city to augment supplies.

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CSO: 4020/89

## AGRICULTURE

### XIZANG SUCCESS IN ANIMAL HUSBANDRY

HK081141 Lhasa Xizang Regional Service in Mandarin 1130 GMT 6 Dec 86

[Excerpts] Despite many kinds of natural disasters, our region has still scored relatively good success in animal husbandry this year. Except for a drop in the output of butter, output of other livestock products has approximated or exceeded last year's levels.

This year, all places throughout the region have had snow disasters to different degrees. When spring was changing into summer, temperatures in the mountainous areas were generally on the low side and forage grass became green half a month later than normal. After the forage grass turned green, dry weather followed and rainfall was less than in previous years. This seriously affected the growth of forage grass. The output of the forage grass in mountainous areas was about one-third less than in a normal year, resulting in poor fleshing out of livestock, a low breeding rate, and a small milk output.

Confronting many kinds of natural disasters, our whole region, ranging from the upper to lower levels, has strengthened leadership over the animal husbandry work. All departments and bureaus of our region and all prefectures and counties have sent a large number of organ cadres and scientists and technologists to go deep into rural and pastoral areas and, together with the peasants and herdsmen, overcome all difficulties and try in every possible way to reduce to a minimum the losses caused by the natural disasters.

The total rates of increase in livestock of Xigaze and Qamdo Prefectures this year have reached to 26 percent and 10 percent respectively. In Nagqu Prefecture, which was very seriously hit by the snow disaster last winter and this spring, the total rate of increase in livestock was only 3.6 percent less than in the same period last year.

At the same time, we must see that due to the fact that animal husbandry in our entire region was hit by many kinds of natural disasters this year, there will be trouble with livestock production next year. The death rate of the livestock in some places is likely to rise. Some livestock can hardly survive through the winter and spring. Therefore, all places must do well in seizing the current crucial moment and teach peasants and herdsmen not to slaughter livestock. At the same time, they must coordinate and perform service work well.

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CSO: 4006/314

## AGRICULTURE

### BRIEFS

FOOD INDUSTRY OUTPUT 1986--China's food industry registered a 10 percent increase in output value last year over 1985, the ECONOMIC DAILY reported today. Last year, the industry produced 8,800 million liters of liquor and wine, 5.19 million tons of sugar and 180,000 tons of daily products. Total export value of foodstuffs was estimated to top U.S. \$600 million, 20 percent more than in 1985. A big increase was registered in the export of canned food, gourmet powder and dry citric acid. [Text] [OW171046 Beijing XINHUA in English 0832 GMT 17 Jan 87] /12223

CSO: 4020/92

## LABOR

### RENMIN RIBAO ARTICLE ON REGULATING LABOR FORCE

HK070835 Beijing RENMIN RIBAO in Chinese 2 Jan 87 p 5

[Article by Feng Lanrui (7458 5695 3843) and Gu Liuzhen (7357 2839 3791):  
"Labor Force Mobility and the Mechanism for Regulating It"]

[Text] Labor Force Mobility Has Become a Pressing Practical Problem

Labor force mobility is the objective demand in the development of socialized mass production. China used to implement the practice of making people stay in a fixed work environment or remain at the same post all their life. This practice brought about negative effects of all descriptions as well as economic losses. Since the 3d Plenary Session of the 11th Central Committee, the commodity economy has greatly developed in China, and rational labor force mobility has become a practical pressing problem requiring a solution.

1. The implementation of the labor contract system makes it possible and necessary to realize labor force mobility. According to the "provisional regulation on implementing the labor contract system in state-run enterprises," when a contract expires, the worker concerned may find another job, and the enterprise may again invite applications for the job. During the term of the contract, the worker may send in his resignation with a month's notice, giving his reasons; the enterprise may also terminate a contract or discharge a contracted worker with a month's notice, so that the worker concerned may have time to look for a new job.

2. The surplus personnel in existing state-run enterprises accounts for an estimated 15 to 20 percent of total personnel. Based on estimates, around 10 to 12 million people need to rearrange their employment during the 7th "5-Year" Plan.

3. In the course of the economic structural reform, competition is inevitable if a commodity economy is to be developed. A number of enterprises that have suffered from deficits over a long period are bound to go bankrupt in competition. The workers and staff in those bankrupt enterprises will lose their jobs, and need to find new ones.

4. Agricultural labor productivity has been upgraded since the economic structural reform in the rural areas, with part of the labor force leaving

agriculture. There will be a greater surplus labor force in agriculture from now on, and it is estimated that a rural population of about 120 million will need jobs in non-agricultural departments.

5. It is necessary to adopt measures to make better use of highly skilled laborers in modernization. The existing labor system determines once and for all people's lifetime profession through a single distribution after their graduation from high school or college. This planned distribution is more often than not inappropriate, and not even in line with one's professional training. As a result, some higher and intermediate qualified people have failed to utilize their professional skills. This situation should be changed. True, higher and intermediate qualified people trained by the state are obliged to subject themselves to the state planned work distribution for a time, but after a certain period, these qualified people should be allowed to choose their own jobs freely, and the employment units should likewise be allowed to invite job applications from qualified people through competition, so that people's talent may be efficiently exploited.

The conditions mentioned above show that labor force mobility has become an issue pressing for a solution that cannot afford delay.

#### Rational and Restricted Labor Force Mobility

A rather great dispute exists, from departments to theoretical circles, on the question of how the labor force is to be mobilized. Some comrades believe that labor force mobility should be all-round, without any restrictions. Another opinion is that labor force mobility should be restricted and rational. We are for the latter opinion.

Restricted labor force mobility is different from all-round and unrestricted mobility. Here, the crux of the problem is whether it is possible for the labor force in China's rural areas and small and medium cities to flow into the big cities without restriction.

True, the transfer of the agricultural labor force to non-agricultural departments is the inevitable trend of the development of social production. But in a big country with a rural population of 800 million like ours, we should not take the road that some old capitalist countries went through, and some developing countries are just taking, with a vast rural labor force surging into the cities, forming a huge army of unemployed, and aggravating the competition for employment.

Just think, if the rural labor force is allowed to surge into the big cities without restriction, what problems could emerge.

First, large industry requires the workers to possess a certain cultural background skill, while ordinary peasants have a rather low cultural level, and poor conditions for employment. They cannot take the place of higher-paid skilled workers, and will not play a role in controlling the rise in wages as

assumed by some comrades. Again, many factors have affected the recent rise in wages, and it does not result from the shortage of labor force.

Second, the excessive population in big cities will make the strained housing situation even worse and the excessive burden on public utilities such as transport, telecommunications, water and power supplies will be aggravated. Even slums on the fringe of cities will emerge, as has happened in some developing countries, after the peasants surged into the cities.

And third, regarding the unemployed in the urban areas, the state may provide them with unemployment subsidies through social security, but regarding the huge army of unemployed from the rural areas, the state cannot, and it does not have the strength to take them under its care, so their life can hardly be secured.

Cities and towns have opened up to the rural areas over the past 2 years, and the peasants are encouraged to do business in the urban areas and to go in for service trades. This is a good thing, and is favorable to invigorating the economy in cities and towns, and to making things convenient for the livelihood of the citizens. But if the peasants are allowed to enter the cities without restrictions, big cities in particular, the opposite will happen.

We should see that the experience of thousands upon thousands of peasants has already created a method with Chinese characteristics of transferring the agricultural labor force to non-agricultural departments. Namely, the first step, "leaving the land without leaving one's home village" and "entering the factory without entering the city," by initiating local enterprises in towns and townships of all descriptions; and the second step, leaving one's home village and entering the city; however, the mainstream flows into medium and small cities, not the big cities. We should do a good job in summing up our own practical experiences, and further resolve the issue of transferring an agricultural labor force of more than 100 million to non-agricultural departments in the next 15 years or so.

#### Plural or Mixed Labor Force Regulating Mechanism

We must start from the complicated economic conditions of China at the present phase in reforming the labor force structure.

China is still in the primary stage of socialism, namely, the primary stage of the primary stage of communism, which possesses many characteristics quite different from capitalism as well as from socialism as originally assumed by Marx. For example, rather than a single structure, the ownership system of production means is of a plural structure with the coexistence of many economic factors, dominated by public ownership. The labor force in a public ownership economy is no longer a commodity, but it has not entirely withdrawn from the commodity sphere on a nation-wide scale. In a socialist public ownership economy, labor already has the nature of direct social labor, but it is not complete direct social labor. The entire social economy is still a

planned commodity economy based on public ownership. To correspond to the above-mentioned characteristics pertaining to the primary stage of socialism, a plural or mixed structure must also be adopted in realizing a rational labor force mobility.

1. The state conducts the planned distribution of a portion of the labor force. This is determined by the characteristics of a commodity economy in the primary stage of socialism. The planned distribution of production means is needed as well as a planned distribution of the labor force regarding important economic departments that have a bearing on the national plan and people's livelihood. Planned distribution of the labor force should remain the key link in some economic departments and regions, such as key national defense projects, geological field surveys, departments involving particularly arduous working conditions, branches of work involving poisonous substances and danger to human lives, work in regions of extremely high or low temperatures, and work in border and backward regions. Planned distribution should be implemented as the key link regarding all the scientists and technicians needed in all these departments and regions so that the development of these projects, industries, and regions may be guaranteed. To achieve this, it is imperative to reform labor control and structure. First, it is necessary to resolutely change the past practice of "arbitrary matching," and to do one's best to help qualified people apply their professional training to their work, and bring into play their professional skill, so that the labor force and production materials may be best combined; and second, it is necessary to change the old system of "single distribution determining a lifetime position," and to stipulate that mobility be allowed when a certain term expires at a post arranged by planned distribution. Regarding young people serving in the army, the work arrangement of those demobilized should also be given necessary consideration by relevant departments, on the basis of planned distribution.

2. The free regulation of the labor force. This means the labor service market generally referred to. Labor service markets already exist in Wenzhou and Handan, with payment affected by the supply and demand of the labor force. House maids and "craftsmen of five types" usually provide labor service, and their payment is negotiable between the two parties concerned based on supply and demand. This also has the nature of a labor service market.

3. Organized social regulation of the labor force that has a nature somewhat between planned distribution and the labor force market. The labor service companies founded and developed in China around the end of the seventies and beginning of the eighties is just such a good form for realizing organized social regulation.

The labor service company is a social organization with Chinese characteristics that suits the real employment needs in China, and plays the role of a "reservoir" in regulating, absorbing, and sending out the labor force.



Over the past few years, China's labor service companies have been shaped into an integrated network, which is capable of conducting the overall planning and arrangements for a social labor force. Their vertical system includes all provincial, prefectural, city, county, as well as neighborhood labor service companies and units. Their lateral system includes labor service companies under all enterprises and institutions. This administrative network has a wide social and mass basis. Through this network, the social labor force is organized, controlled, absorbed, and transmitted. It absorbs and controls the labor force from all aspects of the society: The labor force consists of young people coming of age in society every year; the labor force which is streamlined and discharged from enterprises; personnel waiting for employment when their contracts expired; people who have undergone education, or reform through labor, and disabled young people who have a certain capacity for work. In short, it has played the role of "rounding up" all the parts in the social labor force. At the same time, the labor service company also sends the labor force to all social fields in every area: it sends the labor force to enterprises and institutions under ownership by the whole people as well as those under collective ownership in the urban areas; at the same time it provides a labor force to small collective enterprises, individual households, and citizens; besides, it also initiates undertakings to make arrangements for employment itself. It also conducts training and education to upgrade the workers' capabilities before sending them out for employment. This was impossible for any single enterprise or unit, nor was it possible for the labor departments in the past.

Over the past 2 years, the labor service company has developed from the urban to the rural areas. Township labor service companies are set up in some regions, and play a very important role in the control and arrangements for the employment of the surplus labor force in the rural areas.

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CSO: 4006/311

## LABOR

### GANSU FORMULATES MEASURES ON LABOR CONTRACT SYSTEM

HK120755 Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 11 Dec 86

[Text] To implement the provisional regulations formulated by the State Council on instituting the labor contract system in state-run enterprises more efficiently, the provincial government formulated specific measures in connection with the province's reality. The measures stressed that workers employed by the recruitment contract and labor contract systems in the province since 1981 should continue to be employed, but they must sign new employment contracts according to the relevant State Council regulations beginning 1 October this year.

Except for special regulations formulated by the state, all units owned by the whole people, including state-run enterprises, state administration organs, institutions, social groups, and units dispatched by the central authorities in Gansu must employ workers by the labor contract system within the scope of the wage target set by the state, and under the guidance of prefectural, autonomous prefectural, and city labor administration departments. Workers employed by enterprises under the labor contracts system must go through recruitment formalities in prefectural, autonomous prefectural, and city labor administration departments. Meanwhile, it is necessary to establish the labor handbook and files registration system. With the approval of the provincial labor bureau, workers recruited, by enterprises from rural areas under the labor contract system for special reasons such as land requisition can have their residence and grain ration registrations transferred to towns. Mining, forestry, highway maintenance, transport, and loading units can recruit peasants as rotating or contract workers, but the peasants' residence and grain ration registrations cannot be transferred.

The provisionsal measures formulated by the provincial government also make specific rules on the transference of working units and organizational management of workers employed by the labor contract system and their remuneration after retirement.

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CSO: 4006/311

## LABOR

### BRIEFS

GUANGDONG RURAL LABOR FORCE--Last year 340,000 rural laborers in Guangdong went to work in township and town enterprises. A total of 4.54 million peasants in the province have now switched to working in these enterprises, representing 20 percent of the province's rural labor force. This vast force of township enterprise laborers is mainly concentrated in Foshan, Jiangmen, Guangzhou, Shenzhen, and Zhuhai Cities in the Zhu Jiang Delta and on the Chaozhou-Shantou plain. [Summary] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 19 Jan 87 HK] /9599

CSO: 4006/311

## POPULATION

### JINGJI YANJIU ON URBANIZATION OF POPULATION

HK080309 Beijing JINGJI YANJIU in Chinese No 11, 20 Nov 86 pp 25-30

[Article by Wu Xiaoying (0124 2556 2751) of the Population Research Institute of Nankai University in September 1986: "Urbanization of the Population; Its History, Reality, and Choices"]

[Text] 1. The issue of population urbanization has long been ignored in its proper realm of study--economics. Demographic circles are very concerned about the issue of urbanization, mainly because of the following reasons: First, to find a way out for the 300 million surplus population in rural areas, as well as the pressures brought on by these people in urban areas; second, to study the social, economic, and environmental effects resulting from the growth in urban population. According to the following specious position, the view taken by demographic scientists is consistent with that of population policymakers: The population growth in large urban areas is harmful, and small townships must be developed to absorb the surplus population in rural areas thereby preventing the surplus population from flowing into large urban areas. However, any university graduate possessing a knowledge of modern economics is able to point out that this kind of position is absurd. Urbanization is an issue that should first be addressed by economists.

#### I. Historical Cost

2. To review our past experience, after 1949, leaves us with a profound impression. China could only have "urban development," in a Chinese sense, but could have no modern "movement of urbanized population." Though China's number of cities was increased from 69, in 1949, to 300, in 1984, (Footnote 1) ("China's Statistical Yearbook," pp 185, 189), the corresponding number of towns was increased to 6,211 (Footnote 2) ("China's Statistical Yearbook," pp 185, 189), and the total population of cities and towns increased from 57.65 million to 330.06 million (Footnote 3) ("China's Statistical Yearbook," pp 185, 189). The increase was not achieved by a voluntary move from rural to urban areas. Instead, it was achieved by expanding cities and towns; and by the systematic "transformation from an agricultural population to a non-agricultural one"; and by the natural growth of the population. During the period between 1983 and 1984 alone, the establishment of new townships increased the

total urban population by 88.8 million (Footnote 4) (Public Security Ministry: "Data Handbook of China's Population in Cities and Towns" (1985))! This was the "urbanization" of administrative districts. At the same time, of the 330.06 million in cities and towns in 1984, only 110.37 million (10.7 percent of the total population) (Footnote 5) (Calculations based on "China's Statistical Yearbook," pp 185, 189, and 213) was really a non-agricultural population living in urban areas. Many people hold that China has now urbanized 32 percent of its population, when in fact, according to statistics, it is only "urbanization" to a certain extent.

3. The modern urbanization movement is a kind of population-economic phenomenon that moves at the same pace as industrialization. Taking into account the voluntary flow and combination of all resources, including the population-labor force, the movement does not simply function as a means for finding a way out for surplus manpower in rural areas. Instead, it also changes the traditional situation of economic development, comprehensively readjusts the allocation of resources, and promotes the evolution of the industrial structure.

4. China's industrialization was conducted under circumstances in which the economies of cities and towns were isolated. Of course, this does not mean that there were no links between urban and rural areas. But they were of an administrative rather than an economic nature. China's industrial growth was achieved by depending on an indiscriminate price differential, which was determined by administrative regulations and was carried out at the expense of agricultural growth. Under the circumstances in which we practiced the centralized planned economic system and the centralized allocation of resources, this was the only way toward growth and development. For this we have paid an enormous cost.

5. In corresponding to this mode of development, we artificially imposed strict limitations on the transfer and flow of rural manpower in order to suppress the cost of agricultural labor and ensure the achievement of industrial growth. During that period and until the late 1970's, China's agricultural population and their share of agricultural labor were surprisingly stable. The proportion of the rural population to the total population dropped from 87.5 percent in 1952 to 82.1 percent in 1978. The annual rate only dropped by 0.25 percent. On the other hand, the proportion of agricultural manpower to the total population increased from 30.1 to 31.4 percent (Footnote 6) (Calculations based on "China's Statistical Yearbook," pp 185, 189, and 213).

Judging from another point of view, rapid industrialization brought about a huge demand for agricultural products. Under the situation of an indiscriminate price differential, however, China's agriculture was unable to meet the demand for updating technology and replacing equipment by relying on its growth. This problem could only be solved by continuously investing large amount of manpower in agriculture. According to the average annual growth rate of grain (0.0265); and the flexible coefficient (1.3384), which, based on the annual growth rate of grain to that of manpower (0.0198), during the

30-year period up to 1979, an annual increase of grain per unit area yield needs an investment of 1.34 units of labor on the average, but only 0.1 unit of machinery horsepower (the flexible coefficient of grain output growth to that of machinery horsepower is 0.0960). Therefore, we can see to what extent we relied on the investment of labor (Footnote 7) (Calculations based on "China's Statistical Yearbook," pp 213, 255, and 275).

6. Originally, the normal progress should have been a huge demand for both rural manpower and agricultural products, which should have come from an urban-industrial system that emerges next to traditional rural areas. The price increase in agricultural products stimulates agricultural production. This helps, on the one hand, to transform traditional agriculture into a market-oriented one; and, on the other hand, to promote agricultural growth. Growth creates conditions for agriculture in terms of adopting new technology, thereby increasing agricultural productivity. The increase in productivity further makes possible the transfer of manpower to urban areas. Improvement in the peasants' income makes a large market available to the expanding urban industries. In return, the expansion of the urban-industrial system creates conditions for absorbing the surplus agricultural population. However, China's special mode of growth, as well as its economic system, artificially terminated this natural progress. Consequently, this progress developed in the opposite direction: the more industry grew, the more difficulties agriculture faced; the smaller the market for industry, the weaker the urban areas' capacity to absorb population. In the early and late 1960's, China twice forced more than 70 million laborers to move from urban to rural areas (Footnote 8) (During the period of natural disasters in the early 1960's, some 30 million town and township workers were sent back to their native places in rural areas; and during the movement of pioneers to occupy new land in late 1960's, some 40 million educated youths were sent to rural areas), to solve the food problem and ease the pressure on urban areas in terms of employment. Such a large scale of a backward flow of the population is a rare phenomenon in the industrialized world.

7. China finally achieved industrialization, but it succeeded in the work at the expense of the following results: First, the development of industry, particularly heavy industry, which only aimed at its own market, made the economic structure of the national economy inclined toward it and caused a serious imbalance in proportion; second, in a closed-type urban system, the need for manpower resources by industrialization was met at the expense of the services industry's development; third, due to the limitations on the flow of manpower, we could not cut the protractedly high cost of unskilled labor, and meanwhile, we wasted, at a surprisingly high level, urgently needed, top qualified personnel.

8. And statistics show that in the process of reaching a medium income level from a low one, the position of agriculture will be significantly undermined in the national economy as a whole. The rural population will therefore flow to urban areas. This is a transformation of the traditional setup in terms of allocation of resources after the in-depth development of industrialization. This includes a comprehensive recombination of all major means of production

including labor. It gives an enormous impetus to the growth of the economy. But China artificially hindered this kind of progress. It ties some 300 million rural laborers to the tillage, which was 1.5 mu per capita, and protractedly maintained this kind of "planar population-resources mode." (Footnote 9) (The "planar population-resources mode" means that labor is directly integrated with land rather than the multi-level integration with primary products which are produced from the land.) At the same time, it also limited the development opportunity of other industries, thereby wasting resources.

9. Labor can bring us economic results only when it is suitably employed; that is, its integration with resources other than the human one. Judging from the viewpoint of the national economy, this can improve economic results. In order to achieve this, each individual member of the labor force must have an equal chance before all resources. This should at least be part of socialist equality. Measures to limit the flow of the population between urban and rural areas results in an unequal footing between the rural and urban populations before the urban resources, and the industrial resources of urban areas are monopolized by the urban population. (Also, each member of the urban population does not have an equal chance, since a competitive labor market is lacking.) Of course, the issue is not simply a theoretical one. Since competition is absent among a large portion of surplus laborers in rural areas, urban area workers can have their secure jobs, become contented with the present situation, and not strive for any progress. On the other hand, the peasants are unable to enjoy the advantages of economic development that are achieved at their expense.

10. We therefore find new significance in this viewpoint on the issue of population. If we allow voluntary flow of resources, including population, any change in the population-economic structure, which takes the market as its functional mechanism, will first be manifested in the form of changes in the population-resources structure. The complex combination of population and resources will inevitably lead to a higher demand for population quality. At the same time, the flow of population takes place precisely within the age range of 20 to 40, which is the predominant domain for getting married and bearing children. The characteristics of the flow are to seek new jobs and to change one's goal in life. Naturally, this will restrict sexual activities in this group of the population, thereby checking population growth. We did not use the progress of industrialization to exert economic pressure on this group of the population, which is the main cause for having a sharp population growth but poor population quality. Now it seems that we missed the most opportune moment for checking the population by natural means, as there is a stagnant effect on the economy caused by changes in population.

## II. Face Reality

11. Though the economic reform, which was begun in the late 1970's, did some work in correcting the unbalanced structure of the national economy, it basically tapped the potential of resources within the same setup. Changes in the economic structure of rural areas were rather substantial, but they were

nevertheless internal changes in those areas. The rationale for some changes is tenable only when we disregard the coordinated development of urban areas and the national economy as a whole. Take the town and township enterprises as an example: By the end of 1984, the number of workers in town and township enterprises totaled 52.08 million, or almost 10 times more than in the late 1970's, accounting for 14 percent of the total manpower (Footnote 10) ("China's Statistical Yearbooks," Chapter IV, p 5). This is an astonishing growth rate. It was not until we took a relaxed attitude toward this policy that the peasants voluntarily shared, in the form of taking part in industrial production, the advantages of industrial growth. But this was achieved under the following prerequisites: First, the structural reforms in urban areas were slower than those in rural areas, and acts of large and medium-sized state-run enterprises were restricted here and there; second, under the traditional system, gaps in the market demand could easily be found, and those peasant-run enterprises were able to supply the badly needed products. In the long run, however, we can easily find that this neglects the economy of scale, wastes resources, and harms the environment if we proceed from a higher plane. According to a report of SHIJIE JINGJI DAOBAO on 7 July 1986, beginning from 1979, the number of China's town and township enterprises was increased to 6 million, using some 100 million mu of land or 25 million mu more than the amount of land taken over by the state 30-odd years ago. Also, millions of sewage drains and chimneys were polluting the water, land, and air. Obviously, we should not rely on the present form of town and township enterprises to reduce the share of agriculture and achieve progress in the national economy. Instead, we must take into consideration the important role of the urban-industrial system.

12. Because of the flow of key production elements within the rural areas, as well as, to a certain extent, the establishment of the recombination mechanism, following the economic structural reform of the rural areas, the structure of labor has been released and the productivity has been greatly improved. For instance, taking the figure in 1977 as the base 100, the index of service output value per laborer for 1984 reached 162 and that of grain output per laborer was 128. However, we must realize that if we do not put an end to the separated situation between urban and rural areas, or take a relaxed attitude toward the flow of the population, this growth rate will certainly slow down. According to "Engel's law," people will, in the wake of an increase in the national per capita income, gradually demand fewer agricultural products because of the relative inelasticity of income to agricultural products, particularly food. Under these circumstances, an agricultural laborer can increase his income only when he maintains a high level of productivity and competitively low production costs. After the introduction of market competition, this factor will inevitably discharge large amounts of labor from the realm of agricultural production. If we do not conform to this situation and reorganize the industrial structure--of course, it should not be done by artificial means, instead, it should be achieved by relying on the market and voluntary flow of elements--our agriculture as well as the national economy as a whole will face structural obstacles.



13. In fact, it is no exaggeration if we can China's economy, under the tradition system, a "wasting economy." However, people always focus on the waste of materials and capital but neglect the waste of human resources. Today when we are at the stage of new development, China suffers more seriously from a lack of resources, particularly a lack of capital. When thinking about our future pattern of development, people are apt to neglect the replacement of resources. Having abundant labor resources, China belongs to the "Liu Yi Si [0491 2496 2448] pattern," which offers an unlimited supply of labor. If we attach great importance to the replacement of capital with labor, not only will we economize on capital but we will also achieve growth. Overseas scholars have proved that in terms of elasticity, the replacement of capital with labor is between 0.5 and 1.2, which is quite a wide range. But, as the staff of China's rural development research team pointed out: Because of the traditional economic system, we are unable to utilize the possibility of such a large-scale replacement. This is because: First, the urban and rural areas are separated and industries are monopolized, so that labor, products, and other key elements are unable to freely flow and recombine within trade or among industries; second, the price of key elements does not reflect the scarcity of labor and capital; third, the principal part of economic activities lacks the motivating force of pursuing larger profits at lower costs. It should be said that agriculture has long been an area that provides a considerable amount of labor to replace capital (though there was no market to reflect this kind of replacement). But, because of the reasons stated earlier, the agricultural departments will no longer be able to play this role. In order to launch a nationwide replacement of capital with labor, we must cancel the limitations on the flow between urban and rural areas. Also, we must open the labor market, and give play to the abundant labor resources through the means of active employment. (Footnote 11) (See China's rural development research team's "On Reform of the National Economic Structure," JINGJI YANJIU No 5, 1986).

14. While there has been a drop in the rural areas' "resources-labor ratio" (resources/labor), there exists in China's urban areas the waste of resources at an astonishing rate. If we regard cities with a population of more than 500,000 as large cities, an absolute majority of these large cities did not take into consideration economies of scale in development, still fewer the commercial value of their land and area except for a few particularly large cities with a population of over several million, whose situation was relatively good. This is, of course, related to the absence of a property market. However, even though we have imported the market mechanism into a closed-type city, we would still be unable to make the city's development more economically sound without the flow of population and the increase of population density. Beginning from the 1980's, many large cities started engaging in large-scale "credit municipal construction." Since there lacks the pressure of a population influx, many of these construction projects are built at a high cost, or are even divorced from people's actual needs.

15. Now, the practices of "leaving one's village without leaving his homestead" and "transformation on-site" have been proved to be an exception to the rule. The fact that peasants have left their villages and homesteads" and

"have entered townships and run their businesses" now becomes an issue concerning administration rather than permission. Naturally, the peasants flow in townships because they are prohibited from entering cities, particularly the large and medium-sized ones. In connection with this phenomenon, many people advocate the practice of developing these townships under the prerequisite of not changing the present situation of towns (of course, townships must be developed even though the large and medium-sized cities do not open up), to absorb the surplus population and prevent them from entering large cities. Some people hold that if we establish townships in every town, the peasants will live at places near these townships. During the daytime, they will work or run business in townships. Not only does this get rid of the shortcomings of urbanization, but it also narrows the differences between urban and rural areas. Besides, the peasants will have comfortable homes and good jobs. If this kind of utopia is totally achieved, it will certainly be another form of "people's communes" or "large-scale steel refining" catastrophes. This is a viewpoint of advocates of a natural economy, who are worried about population flow. Of course, we do not mean not to develop small townships, but the point is that we must not act against the rules of economics. Like large cities, the development of small townships is determined by the townships' resources, location, transport, and the conditions of consumers. The potential inflow of population is from the consumers of resources in small townships. If one does not wish to consume a townships' resources, the township will have difficulties in development. We oppose any artificial development of townships, which aims at easing the dispersion pressure brought about by the population, as this will make the situation of wasting worse. If we use the same amount of money to invest in small townships, what we will get will inevitably be slow results. In addition, if we allow the town and township enterprises to develop in small townships in the present situation, they will cause pollution nationwide. There is already an example of this in the rural areas of south Jiangsu Province.

### III. Selection of Policy

16. The core of our past studies on population policy was to check the population. This is a passive attitude toward population studies. Our population theory was also aimed at explaining this policy, saying that the two kinds of production must be coordinated; and since our population grew rapidly, we must check population growth. Under the circumstances of developing a modern economy, our study of population policy should focus on a series of policies which include population flow, employment, education, migration, family planning, insurance and welfare. We should advocate that theoretical study involves macroeconomic analysis, economic development and structural analysis, a welfare system and labor market research, urban economics, and so on. I hold that today when our theoretical study is more active, we are making little progress in the population studies mainly because of weak theoretical research and abundant dogmas. The issue of population is, chiefly speaking, an economic one. We have made major breakthroughs in terms of theory on China's economy, which is undergoing reform. If we continue to

follow the traditional political economic theory when analyzing economic matters concerning population, we are to be led up a blind alley.

17. In connection with China's future economic development, it is an important task for us in terms of population-economic study to work out a policy, or define the principles for formulating policies, to promote a change in China's population-economic structure under the development of urbanizing the modern population. The selection of a policy should be in a series rather than in a unitary way. However, it is impossible to promptly work out a complete series of rational and perfect policies. Only when we implement these policies can we perfect them and make them rational.

18. At present, we should first adopt policies on checking population flow and migration, whose ultimate goal will be to achieve voluntary migration. The major points are:

First, we should realize voluntary migration within a province during the 7th 5-Year Plan. Large cities with a population between 1 and 2 million may, as a first step, check the number of people coming to settle down from other places. Later, they may gradually open up in light of the situation. At this stage, particularly large cities temporarily do not open up. At this time, peasants may voluntarily move to any provinces and cities other than the restricted ones, buy accommodations or rent houses, and join in the employment competition in these cities. Residents of large, medium-sized, and small cities are also allowed to move voluntarily.

Second, while we allow voluntary migration within a province, cities with a population over 2 million may also realize voluntary migration, but only after one has joined in the employment competition and has found a job. In order to check the scale of this kind of cities, we will only allow peasants to run businesses in these cities but not to settle in them. The flow among the particularly large cities helps us form a labor market and, at the same time, gain experience in taking a further relaxed attitude toward the policy of opening up.

Third, during the 8th 5-Year Plan, we should strive to realize full-scale voluntary migration among provinces. Provincial capitals, as well as large cities with a population over 1 million, may appropriately check migration through such means as taxation, but should completely abolish non-economic control measures. By that time, we may take a further relaxed attitude toward the conditions of moving into particularly large cities.

19. In connection with the implementation of policies toward the voluntary migration of the population, we should completely reform the traditional labor and personnel structure. First, we must break away from the iron rice bowl practice, not only the one for workers but also the one for cadres. The state should set up a social security system to solve problems concerning livelihood after unemployment. At the same time, we should abolish the personnel department, and put cadres and workers under the centralized administration of labor departments. The major function of labor departments should no longer

be job distribution but to act as an employment agent and to offer job training. In the wake of popularizing the contract system, the ultimate goal of developing a labor market is to realize voluntary selection of employment. In the labor market, everyone shares equal opportunity of employment and competes with each other on an equal footing, whether he is an urban or rural resident, a cadre, or an ordinary worker.

20. In order to allow cities to function in a better way and to increase their rate of utilizing resources, I suggest that we should, at the same time, set up a property market joined by private businessmen, as well as a land market monopolized by the state; readjust the cities' distribution of industries, move the processing industry to suburban areas, and strengthen downtown districts' commercial functions; and strengthen transport construction within cities and suburban areas to improve the rate of utilizing suburban areas and to develop satellite towns. In order to conform to the above tasks, city governments should switch their focus of work to municipal construction, rather than the administration of everything.

21. There are cities in China but there are no services. Our experience and statistics show that development of tertiary industry is closely related to urbanization. It is certain that we must develop the tertiary industry. However, the work of developing the industry should not be handled by planning departments. Instead, it should be managed by the market. In view of the present situation, where industry offers poor services, is inefficient, and is irrationally distributed, I suggest, in connection with features of the services industry, the formulation of a complete series of measures for denationalization. On the one hand, we should turn the state-run services trades to the hands of collectives and private businessmen by means of leasing, contracts, and selling; and on the other, encourage private businessmen and nongovernmental companies to invest in the industry. We should not limit this kind of investment to general and small-scale services trades, but include such units as shopping arcades, schools, hospitals, and scientific units.

22. We do not have in mind any plan for working out a specific road for China's urbanization. In this respect, we are no wiser than anyone who designs the road of "developing places into small township." We do not oppose a road to urbanization with "Chinese characteristics." However, it must be selected through the practice of urbanization and on the basis that it conforms to China's characteristics, rather than artificially-made ones. In fact, some principles are clear: population flow means efficiency, and voluntary selection brings about vitality. It is believed that by returning the freedom of selecting jobs, lodging and moves to individuals, the individuals will correctly exercise these kinds of freedom. This is a manifestation of an energetic and assured society.

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CSO: 4006/311

## CONSTRUCTION

### BANK LOANS FUND COUNTRY'S CAPITAL CONSTRUCTION

OW180818 Beijing XINHUA in English 0727 GMT 18 Jan 87

[Text] Beijing, 18 Jan (XINHUA)--People's Construction Bank of China, specializing in funding the country's capital construction, has issued 5.1 billion rmb yuan (about 1.36 billion U.S. dollars) in loans in 1984-1986 to help build housing for the people, bank sources said here today.

In 1986 alone, buildings with a combined floor space of 25 million square meters were built with the bank loans.

The apartment buildings put up with the loans are for sale, a bank official told XINHUA, adding that the Chinese Government and enterprises had used more funds and materials to build housing which had been distributed to people.

Apartment buildings in Chinese cities are built by the government or the enterprises and then allocated to the workers and staff, charging very low rent.

Since September, 1984, China began to build and sell houses.

In addition to issuing loans, the official said, the construction bank has helped real estate development enterprises issue bonds totalling 600 million yuan (about 160 million U.S. dollars) in recent years in a bid to raise funds for housing construction.

More than 2,000 real estate development enterprises have opened accounts in the construction bank, according to the official.

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## CONSTRUCTION

### GUANGDONG REDUCES CAPITAL CONSTRUCTION SCALE

OW271232 Beijing XINHUA in English 1144 GMT 27 Jan 87

[Text] Beijing, 27 Jan (XINHUA)--Guangdong Province has decided to halt or postpone 233 construction projects involving 3.5 billion yuan (914 billion U.S. dollars) [figures as received] in an investment, according to the ECONOMIC DAILY today.

China now has scheduled too many projects as the central and local authorities all have big plans of expansion, and found it beyond its ability to undertake all of them at the same time.

The central authorities therefore have demanded that the scope of construction be reduced, according to earlier reports.

Guangdong has taken the lead to respond to the call, the paper said. Among the projects cut or postponed, there are 34 big hotels and office buildings.

The province plans to allocate 2.28 billion yuan (700 million U.S. dollars) from its local revenue this year for the badly needed projects. Emphasis will be on the construction of projects of energy supply and communications.

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## CONSTRUCTION

### FURTHER CUTS IN NONESSENTIAL CONSTRUCTION URGED

OW140738 Beijing XINHUA in English 0643 GMT 14 Jan 87

[Text] Beijing, 14 Jan (XINHUA)--Nonessential construction should be cut further to allow the country to use its limited funds on key projects, said Zhou Daojiong, director of Construction Bank of China.

More than 8.3 billion yuan was used on nonessential hotels and restaurants in 1986, according to a survey conducted by the bank in 59 counties and cities, the director said.

"My bank must strictly control the scope of investment and adjust the structure of investment," the director said, adding, the problem now is that construction funds are in very short supply while extravagant construction is going on in some parts of the country.

He urged all branches of the bank to check capital construction projects one by one. Nonessential projects and those that won't produce beneficial results must be sopped or postponed to avoid an unnecessary drain on scarce national resources.

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## MINERAL RESOURCES

### FOREIGN FUNDS TO AID NONFERROUS METAL INDUSTRY

HK210543 Beijing ZHONGGUO XINWEN SHE in Chinese 0307 GMT 20 Jan 87

[Text] Beijing, 20 Jan (ZHONGGUO XINWEN SHE)--In the next few years, China's nonferrous metal industry will utilize foreign funds on a larger scale to raise its aluminum production capacity and double the output of aluminum products during the 7th 5-Year Plan. This plan has been approved by the central decisionmaking department. Relevant people here said that with the development of the national economy, China's nonferrous metal industry will quicken its pace of foreign economic cooperation and foreign funds utilization.

In recent years, the output volume, output value, and tax-profit contributions of China's nonferrous metal industry have been increasing steadily, but it is still faced with a shortage of funds and backward conditions of technology and equipment. Its development is still far from meeting the needs of national economic construction. Attracting more foreign funds and importing advanced foreign technology and equipment have now become an important way to speed the development of the nonferrous metal industry.

For this reason, China's nonferrous metal industry, which was treated as a forbidden area in the past, has opened its door to foreign cooperation. Some Chinese-foreign joint ventures have now been set up, including the Zhuoshen Corp.--a Chinese-Japanese joint venture--the China International Nonferrous Metal Leasing Corp., and the Shenzhen Huajiar Corp., which can produce 5,000 tons of aluminum products a year. Other joint ventures and cooperation projects are under negotiation and contracts will soon be signed. A beach sand ore mine in Guangdong and a gas mine in Heilongjiang are the major rare metal mine exploration projects; the cooperation contracts concerning these projects will be concluded this year. According to rough statistics, nearly 20 agreements have been signed on direct foreign investment in some minor projects.

In order to raise the level of technology and equipment of the nonferrous metal industry, China has imported large quantities of mining, refining, processing, and large-scale aluminum electrolysis equipment and advanced technology from Japan, the United States, the FRG, and Sweden. Technology imports have also expanded from small to large and medium-sized projects. The



Pingguo aluminum plant in Guangxi, one of the largest foreign cooperation projects in the nonferrous metal industry, is now under preparation.

Fei Ziwen, general manager of the China Nonferrous Metal Industrial Corp., said that China has rich nonferrous metal resources and the deposits of some ores rank first in the world. Different from depressed conditions of the world's nonferrous metal markets, China's nonferrous metal industry is in its golden period of development. There are certainly bright and broad prospects in China's foreign economic cooperation in the nonferrous field metal industry.

The general manager also said that apart from giving priority to the development of the aluminum industry by utilizing foreign funds, China will also develop the production of rare earth metals, tin, antimony, lead, and zinc. The China Nonferrous Metal Industry Corp. will hold exhibitions and business negotiations in foreign countries and will put forth a number of cooperation items to discuss with foreign companies.

At present, China is holding business talks with foreign companies on the projects of development of the Jishuimen tin, lead, and zinc mine in Guangdong and building the Beijing zinc processing plant, a berylia plant in Xinjiang, and a magnesium plant in Qinghai. The forms of joint ventures and compensation trade may all be taken into consideration in the building of these new production bases of nonferrous metals.

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## MINERAL RESOURCES

### PROPER RETRIEVAL OF SCRAP METALS URGED

HK050929 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 3 Dec 86

[Excerpts] Of about 600,000 tons of scrap metals retrieved in our province each year, 100,000 tons of alloy steel containing rare and valuable elements is wasted for nothing. Our province incurs a loss of some 30 million yuan each year only for this.

It has been learned that for a long time, the metal retrieving personnel of our province have not received professional technological training. Up to the present, the 75 large and medium-sized metal retrieving companies have not a single set of metal inspection equipment and chemical analytical instrument. These metal retrieving companies have been unable to distinguish and determine the composition and contents of the rare and valuable alloy elements, including chromium, nickel, tungsten, vanadium, titanium, and cobalt, contained in the retrieved scrap metals, so that the metals containing a large amount of rare and valuable elements are mixed with the general scrap steel and iron, handed over to steel mills, and thrown into blast furnaces as raw materials. This not only does not give play to the economic results and social benefit of these rare and valuable elements but also seriously affects the quality of products made of the regenerated metals.

Listeners! Scrap metal resources are valuable wealth of mankind. Retrieving them according to categories and rationally utilizing them is an important economic measure to broaden sources of income and reduce expenditure. How to turn waste into valuable products is a problem which confronts us and which needs urgent solution. We must establish a new concept of the second mining industry and speed up the building of the metal retrieving ranks and facilities. We must make necessary contributions toward protecting the limited natural resources of our country, making the regeneration of metals of our province prosperous, and bringing benefit to our future generations.

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## MINERAL RESOURCES

### BRIEFS

YUNNAN NON-FERROUS METAL INDUSTRY--The province's non-ferrous metal industry is developing rapidly. The province's strong point in non-ferrous metal resources is turning into economic advantages. Some 600,000 people in the province are now engaged in the non-ferrous metal mining industry. The output value of the mining industry accounts for about 25 percent of the province's total industrial output value. The mining industry has now become one of the province's economic mainstays. As a result of the strenuous efforts made by geologists over the past years, some 120 kinds of mineral deposits have been discovered in the province. There are now over 880 mineral areas of various sizes and more than 30,000 state-run, township, and individual-run mining industry enterprises in the province. The minerals exploited by township and individual-run enterprises account for about one-third of the province's total. [Summary] [Kunming Yunnan Provincial Service in Mandarin 2300 GMT 10 Dec 86 HK] /9599

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